

Item 1. Cover Page

CARRINGTON CAPITAL MANAGEMENT, LLC

Part 2A of Form ADV: Firm Brochure

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This brochure provides information about the qualifications and business practices of Carrington Capital Management, LLC (“Carrington”). If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer at (203) 661-6186. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Registration with the SEC does not imply a certain level of skill or training.

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

Item 2. Material Changes

There are no material changes to Carrington's ADV brochure since its last annual update on March 22, 2022. We routinely make updates throughout the brochure to improve and clarify the description of our business practices, and compliance policies and procedures, as well as to respond to evolving industry best practices. Although these changes may not be material, please review this brochure carefully and in its entirety.

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Item 4. Advisory Business

Carrington Capital Management, LLC (“Carrington”), a Delaware limited liability company, is an alternative asset management firm focused on investing in U.S. residential real estate related assets. Carrington commenced operations in September 2003. Carrington’s indirect principal owner is The Carrington Companies, LLC, whose majority owner and managing member is Bruce M. Rose. It should be noted that Mr. Rose is associated with Carrington only by way of his indirect ownership of Carrington, but does not act in a supervisory capacity with respect to Carrington’s advisory functions.

Carrington currently provides investment advisory services exclusively to other S.E.C. registered investment advisers and limits its investment advice to assets that utilize Carrington’s experience in the U.S. residential mortgage and real estate markets, along with its knowledge and experience with related investment structures, relationships with industry counterparties and partners, operating affiliate resources and analytical and risk management capabilities. At present, Carrington provides investment advisory services to its clients with respect to the following asset classes: (i) seasoned non-performing and re-performing residential mortgage loans, including government-insured loans that were previously held in Ginnie Mae mortgage-backed securities (known as early buyout loans) (“Seasoned Loan Strategy”), (ii) newly-originated residential mortgage loans acquired from both third party mortgage originators and Carrington’s affiliated mortgage originator (“New Origination Strategy”) and (iii) excess servicing fee income related to mortgage servicing rights acquired from both third party mortgage servicers and Carrington’s affiliated mortgage servicer (“ESR Strategy”).

Carrington does not currently manage any multi-investor funds. Rather, Carrington works with each client to develop a discrete investment strategy based on specific requirements or investment parameters set by the client, including investment size and liquidity, geographic diversification, the likelihood of current income, the anticipated duration of the investment, tax and regulatory considerations, delinquency status, documentation requirements, pricing parameters and other investment criteria.

Carrington also works with each client on the legal structuring related to investments in the target asset classes. In certain instances, a client will request that Carrington form one or more separately-managed ‘funds-of-one’ through which the related investment activity is conducted (each, a “Fund-of-One”). In other instances, Carrington will assist the client in acquiring investments to hold directly in the client’s own private funds and custodial accounts (each, a “Direct Client Acquisition”).

Carrington sources assets for its various investment strategies from select relationships with banks, broker dealers, government-sponsored enterprises and other financial institutions (including its affiliated origination sources). Carrington performs several functions related to the acquisition of these targeted asset classes, including analyzing and valuing the assets using various quantitative econometric variables and qualitative data obtained through Carrington’s operating affiliates and external data sources, structuring (in consultation with its outside advisors, including regulatory and tax counsel) the investment vehicles that will hold the assets, drafting and negotiating the related transaction documentation, and performing and coordinating asset level due diligence. Carrington

typically utilizes its affiliate mortgage loan servicing, mortgage loan origination, real estate brokerage, title insurance & settlement services and foreclosure trustee affiliates as a means of managing the quality of execution and delivery of ongoing asset management services, all in an effort to enhance its clients' return on investment.

Separately, Carrington assists its mortgage loan servicing affiliate, Carrington Mortgage Services, LLC ("CMS") in the acquisition by CMS of mortgage servicing rights and the sale to third parties of the related excess servicing fee income.

As of December 31, 2022, Carrington had regulatory assets under management of \$5,501,250,068, all managed on a non-discretionary basis.

Item 5. Fees and Compensation

Compensation received by Carrington for its investment advisory services is comprised of one or more of the following, each as agreed to with the client at the outset of an advisory relationship or prior to the initiation of a new investment strategy (and as set forth in the governing documents or other client agreements): (i) management fees calculated based on assets under management, (ii) performance-based fees, (iii) fees earned for re-delivering eligible mortgage loans into new Ginnie Mae mortgage-backed securities and (iv) certain other affiliate fees as further described below. Depending on the investment structure, Carrington is either paid directly from the related client's investment vehicle or account, or from CMS pursuant to one or more intercompany master services agreements from amounts earned by CMS under the related transaction documents.

Management Fees

Carrington earns a management fee in an annual amount ranging from 0.25% to 1.2% of invested capital or based on the unpaid principal balance of the related investments.

Performance Fees

Carrington may also be entitled to a "back-end" performance-based fee, ranging between 12% - 20% of net realized profits in excess of the related return hurdle (generally ranging between 5.0% and 10.0%). This means that Carrington must return 100% of the client's original capital investment plus a specified return hurdle prior to Carrington earning and receiving any performance-based fee.

Repool Fees

As described in Item 4 above, for certain of its clients, Carrington facilitates the acquisition by its clients of Ginnie Mae early buyout mortgage loans. For those mortgage loans that are subsequently re-delivered by CMS into new Ginnie Mae mortgage-backed securities, Carrington earns a fee, calculated as a percentage of the gain on sale into the new security or based on the unpaid principal balance of the repooled mortgage loan.

Additional Fees

Carrington charges clients an upfront fee for maintaining and monitoring asset performance data via its proprietary database throughout the life of the related investment. Also, from time to time, clients may request that Carrington execute on a securitization transaction for the purpose of employing leverage on the client's investments. In such instance, Carrington may charge the client an agreed-upon fixed transaction fee related to assisting the client in executing on a securitization transaction. In addition, for certain clients, Carrington charges an agreed-upon per-asset due diligence fee whenever an asset is acquired or sold, which is invoiced to the client at the time of the related transaction.

Affiliate Fees

As described in Item 4 above, Carrington utilizes the services of various affiliated service

providers (in addition to CMS) as a means of managing the quality of execution and delivery of ongoing asset management services, all in an effort to enhance its clients' return on investment. Fees charged by these affiliated service providers are at rates that Carrington believes to be at competitive market levels. A schedule of affiliated providers and their respective rates is delivered to each new client prior to consummating any advisory relationship. Carrington will provide updated fee schedules to clients as fees may change from time to time. Additional disclosure of these services and the potential conflicts of interest can be found in Item 10.

Expense Allocation

Carrington limits the expenses that may be charged to clients to conform, first, to each client's governing agreements and second, absent client-specific provisions, with Carrington's internal policy. Allocable expenses generally include, but are not limited to, operating expenses, including investment and transaction-related expenses (e.g., brokerage fees, custodial fees, bank service fees, due diligence expenses and expenses related to a proposed investment that was not consummated), legal, accounting, insurance and administrative expenses; professional fees relating to investments; and entity-level taxes (including any accrued incremental tax liabilities relating to the ownership of mortgage loans, mortgaged properties and real estate).

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

As described in Item 5 above, for certain clients and accounts, Carrington is entitled to a performance-based fee, calculated as a percentage of total net realized profits in excess of predetermined performance thresholds.

In light of varying performance fees as described in Item 5, Carrington could have an incentive to favor any accounts that pay higher performance fees. To mitigate this potential conflict of interest, Carrington allocates investment opportunities in accordance with its allocations policy, as described further in Item 12. In addition, as described herein, Carrington's advisory capital is non-discretionary. In cases where more than one client directs Carrington to bid on a particular investment opportunity, Carrington will submit all such bids to the counterparty, with the counterparty determining which bid to accept.

Item 7. Types of Clients

Carrington currently provides investment advisory services exclusively to other S.E.C. registered investment advisers that are “accredited investors” and “qualified purchasers,” within the meaning of the Securities Act of 1933 and the Investment Company Act of 1940, as applicable.

Funds-of-One and Direct Client Investments are established at the direction of the related client and typically do not contain specified minimum investment amounts. As noted above, clients may impose various investment parameters and restrictions on investments, including investment size.

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

Methods of Analysis and Investment Strategies

Carrington's investment objective is to seek to achieve long-term capital appreciation, current income and cash collections by identifying assets that utilize Carrington's experience in the U.S. residential mortgage real estate market, relationships with industry counterparties and partners and substantial analytical and risk management capabilities. Carrington expects to utilize its affiliated mortgage loan servicing, mortgage loan origination, real estate brokerage, title insurance & settlement services and foreclosure trustee affiliates as a means of managing the quality of execution and delivery of ongoing asset management services, all in an effort to enhance its clients' return on investment.

Carrington currently limits its investment advisory activities to its Seasoned Loan Strategy, New Origination Strategy and ESR Strategy.

With respect to its Seasoned Loan Strategy, Carrington utilizes its experience in identifying undervalued assets by assessing and evaluating property value, as well as its established infrastructure in advising on the management and disposition of delinquent and defaulted mortgage loans. For investments in early buyout loans, Carrington works with its affiliated mortgage loan servicer, CMS, to identify loans that could be eligible for repooling into new agency mortgage-backed securities. With respect to its newly-originated non-agency acquisition strategy, Carrington leverages off its long history of purchasing and securitizing non-prime mortgage loans on behalf of its clients.

Prior to asset acquisition, with respect to certain investment strategies, Carrington and its affiliates typically perform functions which include, but are not limited to:

- Source mortgage loans and real estate properties from select relationships with banks, broker dealers, and other financial institutions (including, in the case of its Non-QM strategy, Carrington's affiliated originator, CMS);
- With respect to its non-agency strategy, develop underwriting guidelines and pricing matrices, in consultation with its client and based on its client's investment objectives, for the purchase of non-agency loans from originators, including CMS;
- Evaluate mortgage loans and real estate properties in order to derive a top level view of the appropriateness of the assets within the context of the overall portfolio construction;
- Perform mortgage loan valuations using a combination of quantitative econometric variables, home price forecasts, probability weighted resolution and disposition paths as well as qualitative elements derived from Carrington's operating affiliates;
- Develop a bid price in consultation with its clients and communicate that price to the sellers of the assets;

- Form the related investment vehicles and negotiate and execute the trade with the sellers of the assets;
- Manage loan level due diligence, which includes but is not limited to, compliance reviews, title searches, property site visits and property value reconciliations, and, in the case of early buyout loans, confirming that the underlying agency insurance or guaranty is still valid on the related mortgage loans;
- Negotiate with sellers with respect to mortgage loans that are declined for purchase due to document deficiencies, compliance breaches, or irreconcilable valuations and/or re-pricing of mortgage loans with such issues; and

After acquisition of assets and with respect to certain investment strategies, Carrington and its affiliates, on a clients' behalf, may perform functions which include, but are not limited to:

- Work with the seller and interim mortgage loan servicer to effect the transfer of mortgage loans to client accounts and the related servicing to CMS;
- Pursue a homeowner outreach initiative to inform borrowers of the servicing transfer and any programs that are available to incentivize the borrower to continue, or begin, making timely debt service payments, or pursue an optimal disposition path;
- Use the information from the mortgage loan servicer related to the initial borrower outreach initiative to identify and execute optimal resolution and disposition strategies;
- Track and perform in-depth surveillance on each asset on a loan level basis;
- In consultation with the client, facilitate the sale or other disposition of assets to third parties, including to agency mortgage-backed securities.
- If requested by the client for the purpose of leveraging their investment, negotiate and execute on borrowing facilities with financial institutions or assisting client in executing on a securitization transaction that will issue the securities backed by the acquired loans.

With respect to its mortgage servicing rights strategy, Carrington utilizes its experience and relationships in the mortgage servicing industry to source, evaluate and price packages of mortgage servicing rights in respect of pools of residential mortgage loans, as well as its experience to create structure and transfer interests in excess mortgage servicing rights to its clients.

Prior to asset acquisition, with respect to certain investment strategies related to mortgage

servicing rights, Carrington and its affiliates may perform the following functions which include, but are not limited to:

- Source mortgage servicing rights from select relationships with banks, broker dealers, and other financial institutions and independent mortgage originators, as well as from its affiliated mortgage originator;
- Evaluate mortgage servicing rights in order to derive a top level view of the appropriateness of the assets within the context of the overall portfolio construction;
- To the extent applicable, review and analyze the terms and conditions imposed by the relevant servicing agreements;
- Develop a bid price and communicate that price to the sellers of the assets;
- Negotiate and execute the trade with the sellers of the assets;
- Structure the related mortgage servicing rights interests for investment by clients.

After acquisition of mortgage servicing rights, Carrington and its affiliates, on a clients' behalf, may perform the following functions which include, but are not limited to:

- Work with the seller and interim mortgage loan servicer to effect the transfer of servicing to Carrington's selected servicer (generally, its affiliate, CMS);
- Conduct strategic customer outreach and retention for borrowers seeking to refinance mortgage loans and recapture the related mortgage servicing right; and
- Track and perform in-depth surveillance on each asset on a loan level basis.
- Effectuate buyouts of mortgage loans as may be required by deal documents.

Material Risks Relating to Method of Investment Analysis

The following is a summary of some of the material risks associated with the strategies expected to account for a significant portion of the client's investments. This summary does not attempt to describe all of the risks associated with an investment with Carrington.

Risks inherent in the strategies include, but are not limited to, the risk of deterioration in the U.S. housing and real estate markets or in economic conditions generally, changes in the legislative and regulatory environment, fluctuations in interest rates, the use of leverage, illiquid nature of some assets, concentration risk, competition from other investors and mortgage loan servicing extinguishment risk.

Economic Slowdown and/or Deterioration of Housing Market.

Carrington's business is affected by conditions in the residential real estate markets. The residential mortgage market in the United States has experienced and may in the future experience a variety of difficulties and challenging economic conditions. Any renewed deterioration of the U.S. housing market or economic conditions generally, including a decrease in employment reducing the demand for housing in a geographic area, could result in increased delinquencies or defaults on the mortgage loans and could have an adverse effect on the mortgage loans or mortgage servicing rights acquired by a client.

For example, there is remaining uncertainty over the economic impact of the coronavirus pandemic ("COVID-19") and of responsive measures that have been implemented by various government agencies. Investors should consider what effect, if any, the response to COVID-19, as well as any resulting recession or economic downturn may have on the ability of mortgagors to make timely payments on their mortgage loans, or whether government actions (including mortgage forbearance programs, moratoria on foreclosures and evictions and changes to the eligibility criteria for mortgage loans eligible for inclusion in agency mortgage backed securities) may have an adverse impact on the performance of client assets.

Legislative and Regulatory Environment

Carrington's business is affected by conditions in the residential real estate markets which are subject to, or regulated under, various federal and state laws and regulations. As a result of the credit crisis and subsequent financial turmoil, the federal government has put into place statutory and regulatory frameworks and policies (including the U.S. Dodd- Frank Act) providing for extensive supervision and regulation of financial firms and establishing comprehensive supervision of financial markets. Moreover, because issues relating to residential real estate and housing finance have been areas of political focus, federal and state governments have taken actions and may continue to take actions that affect residential real estate, the markets for financing residential real estate, and the participants in residential real estate-related industries more so than with respect to other industries. Ultimately, Carrington cannot assure its clients of the impact that governmental actions may have on its business or the financial markets and they may adversely affect Carrington, possibly materially.

Leverage

Our clients generally lever their assets or direct us to lever their assets through various types of financings, including via repurchase agreements and securitization vehicles. While leverage presents opportunities for increasing the clients' total returns, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment by a client could be magnified to the extent the related asset is leveraged. Leverage will increase the exposure of the Funds-of-One or Direct Client Acquisitions to adverse economic factors such as significantly rising interest rates, severe economic downturns or deterioration in the condition of the related investments or their corresponding markets. In addition, recourse debt may subject other assets of the clients' investments to risk of loss.

Illiquidity

Investments may include mortgage related securities, mortgage servicing rights, loans or other assets for which no (or only a limited) liquid market exists or that are subject to legal or other restrictions on transfer. Liquidation expenses for any particular asset may be disproportionate and may reduce available proceeds (such expenses may include legal fees, real estate taxes, real estate broker fees and maintenance and preservation expenses). Market prices, if any, for such assets tend to be volatile, and may fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, U.S. housing conditions, financial market conditions, regulatory developments, domestic or international economic or political events, developments or trends in any particular industry, and the financing condition of the obligors on each investment. The sale of illiquid assets often requires more time and there can be no assurance that Carrington will be able to realize these investments in a timely manner.

Concentration

In certain strategies, Carrington targets distressed mortgage opportunities. Structural, economic and regulatory changes could adversely affect the prospects for such sector, as could certain general market conditions. The concentrated focus of the portfolios may cause performance to be more volatile and result in it incurring greater losses during unprofitable periods as compared to a more diversified approach.

While Carrington monitors the concentration of assets in each client's portfolio, concentration in any one region may arise from time to time. For example, at any given time, a client's investment portfolio may become concentrated in a particular region because that particular geographic area provides more attractive investment opportunities than others. A portfolio that becomes excessively concentrated will be increasingly susceptible to a risk of loss on its investments to the extent there is an economic downturn affecting the region in which the portfolio is concentrated. Such a downturn could increase the risk of defaults, reduce the amount of payments received on its investments and, consequently, could have an adverse impact on the ability of the portfolio to make distributions. Similarly, in the event that the portfolio becomes concentrated in one region, an environmental catastrophe in such region may result in a material adverse effect on such portfolio.

Default Risk

A portfolio's income may be derived largely from repayments of principal received in respect of loans. A wide range of factors may adversely affect an obligor's ability to make repayments, including, but not limited to: adverse changes in the financial condition of such obligor or the regions in which it operates; the obligor's exposure to counterparty risk; systemic risk in the financial system; changes in law or taxation; changes in governmental regulations or other policies; natural disasters; pandemics (including COVID-19); terrorism; social unrest; civil disturbances; or general economic conditions. Default rates tend to accelerate during economic downturns.

Any defaults will have a negative impact on the value of investments held and may reduce the return in certain circumstances. While some amount of annual defaults and loss of principal balance on the mortgage loans is expected to occur in each portfolio, such defaults, losses, decline in value or failure to meet certain cash flow targets may have a material adverse effect on any such portfolio.

Security Risk

A substantial portion of each client's investments are expected to be in residential mortgages or real estate, or securities collateralized by residential mortgage loans and real estate. Depending on the jurisdiction in which such security interests are created, enforcement of such securities can be a complicated and difficult process. For example, enforcement of security interests in certain jurisdictions can require a court order and a sale of the secured property through public bidding or auction. In addition, some courts may delay, upon the obligor's application, the enforcement of a security if the obligor can show that it has a valid reason for requesting such delay, such as showing that the default was caused by temporary hardships. For example, some jurisdictions grant courts the power to declare security interest arrangements to be void if they deem the security interest to be excessive.

Competition; Availability of Investments

The markets in which our clients invest are extremely competitive for attractive investment opportunities and, as a result, there may be reduced expected investment returns. In addition, there can be no assurance that Carrington or its clients will be able to identify or successfully pursue attractive investment opportunities in such environments. Competitive investment activity by other firms and institutions will reduce Carrington's client's opportunity for profit by generally increasing price pressure on desired assets, reducing mispricings in the market as well as the margins available on those mispricings that can still be identified.

Non-Agency Underwriting Standards

Non-agency loans are originated to mortgagors who do not generally qualify for traditional agency, government or private label non-agency jumbo products due to a number of factors, including but not limited to, prior housing or credit events, prior mortgage

delinquencies, limited positive credit history, loan size and higher debt-to income ratio or effective income requirements. In addition, a majority of the non-agency loans are ‘Non-Qualified Mortgages’ (or non-QM loans). Non-QM loans do not provide the lender with any legal protections from liability under the “Ability to Repay” rules, which require that lenders make a reasonable, good-faith determination of a borrower’s ability to repay the loan. Investing in loans that do not qualify for traditional agency, government or private label jumbo products, and without the enhanced protections from legal liability afforded to “Qualified Mortgages”, may increase the risks associated with such loans.

Risks related to Ginnie Mae Mortgage-Backed Security Pricing

As described in Item 4 above, for certain of its clients, Carrington facilitates the acquisition of Ginnie Mae early buyout mortgage loans. This strategy typically involves the redelivering of such mortgage loans into new Ginnie Mae mortgage-backed securities once the loan meets certain eligibility criteria. The opportunity to profit from such a “repooling” strategy depends on market pricing of Ginnie Mae mortgage-backed securities at the time of redelivery, and there can be no assurance that Carrington can achieve the initial expected gain on the sale of such redelivered mortgage loans.

Risks related to Insurance Claims Process

With respect to investments in government-insured mortgage loans, the mortgage loan servicer is responsible for following the applicable agency guidelines for timely and accurate submission of insurance claims. Under certain circumstances, if the servicer fails to follow such guidelines, there may be a risk of offset, deduction of recoveries or other invalidation on insurance claim payouts with respect to mortgage loans, each of which could have a material adverse effect on the full realization and performance and the client’s investments.

Extinguishment Risk

The servicing contracts to which CMS are subject to contain servicer termination events based upon the performance of the related mortgage loans or the actions of the servicer. A substantial portion of the mortgage loans serviced by CMS are government-insured and conventional agency loans, which give the related agency the right to terminate the servicer. In the event of any such termination, CMS would lose its right to servicing compensation for all related mortgage loans, which includes amounts that would be due to the holder of any related excess mortgage servicing right. Moreover, it is possible that any termination by a mortgage owner or agency of CMS as servicer would take effect across all mortgage loans of such mortgage owner or agency, as applicable, and would not be limited to a particular vintage or other subset of mortgage loans and all investments related to such mortgage owner would lose their value.

Inflation Risk

Some countries, including the United States, currently and may in the future experience substantial rates of inflation, which may have negative effects on the economies and securities markets of their economies. Governmental efforts to curb inflation (such as price

controls) may involve drastic economic measures affecting the level of economic activities. There can be no assurance that the relevant governments will be able to exercise effective control over inflation rates or that a high rate of inflation will not have a materially adverse effect on clients or their investments.

Strategies are subject to changes in the financial markets and interest rate fluctuations.

General fluctuations in the market prices of real estate related investments and interest rates may adversely affect the value of clients' investments and/or increase the risks associated with one or more particular investments. The ability of the entities in which a client invests to repay debt obligations (including making payments to a client as a creditor with respect thereto) and/or to refinance debt investments may depend on their ability to obtain financing, which may be difficult to access at favorable rates. Interest rate changes may also affect the value of a debt instrument directly (in the case of adjustable rate instruments) or indirectly (in the case of fixed rate instruments). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. The Federal Reserve may in the future tighten the monetary supply and increase benchmark interest rates or fail to lower benchmark interest rates in line with market expectations, which would be expected to negatively impact the price of debt instruments and could adversely affect the value of client portfolios.

Difficult conditions in credit markets may make it difficult for financial sponsors to obtain favorable financing terms for their investments. Any deterioration of the debt markets, any possible future failures of certain financial services companies and a significant rise in market perception of counterparty default risk, interest rates and/or taxes may adversely affect our ability to generate attractive risk-adjusted investment returns.

Economic difficulties may also adversely affect the financial resources and credit quality of the underlying issuers of any debt instruments in which a client may invest, resulting in the inability of such issuers to make principal and interest payments on, or refinance, outstanding debt obligations when due. Any such defaults may have an adverse effect on clients' portfolios.

In addition, Carrington intends to make use of leverage to finance part of its investments. Carrington expects that clients' return on investment may be dependent upon the Carrington's ability to secure leverage and/or additional equity capital on attractive terms. As a result, Carrington's ability to achieve attractive rates of return on investments may depend upon the continued ability to access sufficient sources of indebtedness at attractive rates, and it is possible the Carrington may not be able to obtain financing.

Bank Failure

Carrington relies upon third-party banks or other custodians to hold and safeguard client assets and provide credit facilities that may be used to pay fund expenses and purchase new investments. While Carrington carefully selects and monitors its custodians, there is no guarantee that such custodians will not experience financial difficulties or otherwise fail, which could prevent Carrington from accessing client funds, securities, or credit facilities.

Carrington could be required to call investor capital to pay expenses or purchase investments that otherwise would have been financed through a credit facility, or Carrington could be prevented from making timely distributions of investor capital in the event a banking counterparty is shut down by regulators. These events could negatively impact client performance or result in substantial delays in the return of capital to investors.

Item 9. Disciplinary Information

Neither Carrington nor any of its “management persons” (as defined in Form ADV) has any legal or disciplinary events to report that they believe would be material to a client’s or prospective client’s evaluation of Carrington’s advisory business or the integrity of its management.

Item 10. Other Financial Industry Activities and Company Affiliations

In providing investment advisory services to its clients, Carrington utilizes the expertise of its affiliated mortgage loan servicing, mortgage loan origination, real estate brokerage, title insurance & settlement services and foreclosure trustee affiliates as a means of managing the quality of execution and delivery of ongoing asset management services, all in an effort to enhance its clients' return on investment.

The following is an overview of the affiliated entities:

Carrington Mortgage Services, LLC ("CMS") acts as the servicer of loans in client portfolios. CMS is a fully-integrated mortgage servicing company with capabilities to service performing and non-performing assets. CMS, in conjunction with Carrington, develops resolution and disposition strategies in an effort to maximize value for the pertinent client portfolios. CMS is an approved Ginnie Mae issuer, a Freddie Mac approved seller/servicer and a Fannie Mae approved seller/servicer. CMS also has a mortgage lending division that is a residential wholesale and retail loan originator, licensed to originate loans in 48 states, the U.S. Virgin Islands, District of Columbia, and Puerto Rico.

Vylla Escrow, Inc. (formerly known as Carrington Escrow, Inc.) provides escrow services in connection with purchase and refinance transactions. It manages escrow services for customers which includes document gathering, HUD-1 preparation, disbursement and recording with the appropriate government authority. Services provided to clients by Vylla Escrow, Inc. will be paid by the applicable client at what Carrington believes to be competitive market rates.

Carrington Real Estate Services (US), LLC d/b/a Vylla Home (including its licensed real estate brokerage affiliates, "CRES"), a full service real estate brokerage that uses its network of licensed real estate agents to facilitate the sale or purchase of residential properties. CRES is expected to perform real estate brokerage services in connection with certain property dispositions from client portfolios and is expected to receive fees for performing these services at rates that Carrington believes to be at competitive market levels.

Vylla Insurance Agency, LLC (formerly known as Carrington Insurance Agency, LLC), an insurance agency which provides insurance placement services for foreclosed properties serviced by Carrington Mortgage Services, LLC.

Vylla Title, LLC (formerly known as Carrington Title Services, LLC) (including its licensed subsidiaries, "Vylla Title") provides title and settlement services in certain states and provides property reports for attorneys in connection with foreclosure processing activity. Services provided to clients by Vylla Title will be paid by the applicable client at either state filed or at rates believed to be competitive market rates.

Carrington Foreclosure Services, LLC ("CFS") is a trustee company that offers non-judicial foreclosure trustee services on residential properties in certain states. CFS also offers the services of Deed in Lieu of Foreclosures, full reconveyances and issuance of

demand letters. Services provided by CFS may be paid by the applicable client. Fees vary by state as required by the Federal National Mortgage Association (FNMA).

Carrington Document Services, LLC provides non-licensable, clerical services such as reviewing, printing, organizing, distributing, and collecting documents related to residential mortgage loans.

Greenwich Residual Ventures, LLC (“GRV”), or its designee, will generally function as tax matters person on certain REMIC securitizations initiated at the request of the client. In that role, GRV will retain the non-economic residual position, including the assumption of the tax liability generated by the REMIC in the form of excess inclusion income, oversee the structure, management and reporting of the REMIC tax position including, but not limited to, initial structuring and collateral designation between REMIC trusts, characterization and reporting of income and expenses inside the REMIC and supervising and verifying analysis, preparation and delivery of the tax returns for each REMIC.

Conflicts of Interest

As described above, Carrington uses the services of its affiliated companies as a means of managing the quality of execution and delivery of services, in an effort to enhance our clients’ return on investment. However, Carrington’s use of affiliated service providers and the sourcing of assets from affiliated origination sources may create a conflict of interest with clients. Although any fees incurred and paid to such affiliates are intended to be competitive with current market rates and are fully disclosed to prospective clients, there may be an incentive for Carrington to employ such affiliates rather than third parties and utilize strategies that generate or increase fees to such affiliates.

Carrington seeks to minimize these inherent or potential conflicts of interest by negotiating fee arrangements with affiliates at what it believes to be current competitive market rates and by periodically analyzing the market for the services provided by its affiliates to maintain competitive market rates for these services. Carrington also has the option to use third party vendors for any services it deems appropriate. As Carrington may collect an incentive fee based on clients’ performance, Carrington’s interests are aligned with the clients’ interests as a whole and Carrington is incentivized to maximize proceeds overall.

Carrington will recommend to clients or to an investment thereof that it contract for services or enter into transactions with various service providers, potentially including, among others, an entity with which Carrington or its affiliates has a relationship or from which such person derives a financial or other benefit, including the receipt of customer credits in relation to deposit accounts. The foregoing arrangements subject Carrington to potential conflicts of interest, because although it intends to initiate transactions and recommend service providers that it believes are aligned with its operational and value creation strategies and that will enhance investment performance, Carrington will have an incentive to recommend the person or service provider because of its financial or business interest. Carrington will not necessarily seek out the lowest cost options when incurring (or recommending a client or its investments to incur) such service provider expenses. Although Carrington generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending

service providers. Whether or not Carrington has a relationship with or receives financial or other benefit from recommending a particular transaction or service provider, there can be no assurance that no other transaction would be more beneficial or that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

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

Code of Ethics

As a fiduciary, Carrington owes an undivided duty of loyalty to its clients and thus demands the highest standards of ethical conduct and care by all of its employees. It is Carrington's policy that all employees conduct themselves so as to avoid, to the extent possible, not only actual conflicts of interest with clients but any conduct that could give rise to the appearance of a conflict of interest that might compromise the trust placed in Carrington by its clients.

Carrington has adopted a Code of Ethics (the "Code") in accordance with Rule 204A-1 under the U.S. Investment Adviser's Act of 1940, as amended ("Advisers Act") that sets forth standards of ethical and business conduct expected of Carrington's personnel and addresses conflicts that may arise from personal trading by Carrington personnel. The Code, among other things, requires compliance with the federal securities laws, reflects Carrington's fiduciary responsibilities and those of its advisory personnel, prohibits certain personal securities transactions (including investments in securities issued by Carrington and its affiliates), requires Carrington personnel to periodically report and/or pre-clear certain personal securities transactions and addresses prevention of the misuse of material nonpublic information.

Carrington requires that all employees observe the applicable standards of care set forth in the Code and not seek to evade the provisions of the Code or the "spirit" of its requirements in any way, including indirect acts by family members or other associates. The Code is distributed to each employee at the time of hire and annually thereafter. On an annual basis, Carrington requires all employees to certify that they are in compliance with the Code, and Carrington's Chief Compliance Officer conducts ongoing monitoring of employee activity.

The Code will be made available to any client or prospective client upon request.

Participation in Client Transactions

Carrington may cause its clients to purchase investments from or to sell investments to another client. In such instance, Carrington seeks the prior written informed consent of each client involved in that transaction and maintains records of those consents. Carrington does not receive any commissions in connection with these transactions.

In addition, certain investment strategies require direct interface between government agencies and Carrington's licensed mortgage loan servicing affiliate, CMS. In order to take advantage of these opportunities, Carrington's clients may sell certain assets to CMS in order for CMS to transact with the government agencies. Since the sale of client assets to CMS may implicate the provisions of Section 206(3) of the Advisers Act, Carrington obtains the client's written informed consent prior to engaging in these transactions.

Item 12. Brokerage Practices

Best Execution

Carrington typically acquires assets for client portfolios through the direct purchase from the seller of mortgage loans, mortgage servicing rights, and other real estate assets and may structure its own securities collateralized by such assets. Carrington does not utilize the services of broker-dealers to execute such client transactions.

At times, a client may stipulate that Carrington must utilize the execution services of a broker-dealer or Carrington believes that the use of a broker-dealer to consummate a sale of assets will maximize the return to the client. In cases where a broker-dealer is selected by Carrington, Carrington will seek to act in the best interest of the client in selecting a broker-dealer and will take into account relevant factors when seeking best execution, including, but not limited to, price, broker commissions and the broker-dealer's experience with the asset class, market penetration, reliability and financial responsibility. In cases where the client stipulates that Carrington must execute transactions with a particular broker-dealer, Carrington may be unable to achieve most favorable execution of the client's transactions and the client's execution costs may be higher.

As noted below, Carrington does not use brokerage commissions to obtain research or other products or services (so-called "Soft Dollars") and therefore does not consider such products or services when selecting or recommending a broker or dealer.

Allocation of Investment Opportunities

Several clients have investment strategies that are similar to other clients. Where Carrington has the ability to offer or allocate investments to clients, it generally seeks to so offer or allocate current investment opportunities fairly and equitably in a manner that does not systematically disadvantage any client over time. In such cases, Carrington considers the investment parameters of each client, which may include factors such as investment size and liquidity, diversification and investment objectives, the likelihood of current income, the anticipated duration of the investment, tax and regulatory considerations, pricing parameters and available capital.

If it is determined that an investment opportunity may be appropriate for multiple clients, Carrington may seek to allocate such investment opportunity among such clients pro rata in proportion to the amount of capital available from such clients for such investment opportunities. If it is not possible or practical (due to the size or complexity of the investment opportunity or due to tax, regulatory or other structural considerations) to allocate an investment opportunity pro rata, Carrington may make non-pro rata allocations among its clients or Carrington generally will allocate the investment opportunity on a rotational basis to the client or clients for whom the most time has passed since the client last received the first offer of an investment opportunity (disregarding any previous offer to a single client that is the only client for which the investment opportunity was suitable at that time).

Certain investment opportunities are multi-party auctions in which a client's ability to participate in the investment opportunity will depend primarily on the price at which the client is willing to bid. The client generally is responsible for making final decisions regarding whether to submit a bid with respect to a particular investment opportunity and the applicable pricing. In cases where more than one client directs Carrington to bid on a particular investment opportunity, Carrington will submit all such bids to the counterparty, with the counterparty determining which bid to accept.

In certain cases, the client may identify opportunities or engage Carrington or its affiliates to identify investment opportunities on a reverse inquiry basis (i.e., by approaching potential sellers with an offer to purchase an investment with characteristics defined by the client). Notwithstanding Carrington's general allocation policy, investment opportunities identified by or for a particular client on a reverse inquiry basis generally will be allocated to the applicable client.

Aggregation of Trades

As stated earlier, Carrington's investments do not typically lend themselves to aggregation as Carrington trades unique pools of mortgage and real estate assets; however, in certain circumstances, if multiple clients have similar investment profiles, Carrington may seek to aggregate the trade to realize pricing discounts, lower costs and other advantages (such as self-participation certificates or securitized interests in the securitization of the asset), as applicable. In such instance, clients participating in an aggregated transaction receive an average price, and transaction costs are shared on a pro rata basis.

Soft Dollars

It is Carrington's policy not to use research or services provided by counterparties or brokers as part of its trading decisions. Carrington does not accept nor uses soft dollars.

Item 13. Review of Accounts

Portfolios and portfolio positions of clients are reviewed monthly by the Chief Investment Officer to ensure that assets are being resolved in a manner believed to maximize returns. Reviews are conducted to monitor portfolio performance, concentration limits, duration targets and other relevant metrics and to ensure that each portfolio conforms to guidelines established by Carrington and each client. Meetings will be held with each client at least annually and more frequently if requested by the client or determined necessary by Carrington.

Reports to Fund-of-One Investors

Fund-of-One investors will receive monthly unaudited reports and audited reports (unless waived by the client) no less than an annual basis via electronic mail. Such performance updates will be based on an estimated value of the applicable Fund-of-One and the assets of the Fund-of-One as computed by Carrington or a third party. The monthly reports will contain evaluations of the portfolio activity and balances.

Reports related to Direct Client Acquisitions

Carrington prepares and delivers to its clients via electronic mail monthly reports related to Direct Client Acquisitions that include an evaluation of portfolio activity and balances.

Item 14. Client Referrals and Other Compensation

Carrington may in the future enter into compensation arrangements with third party promoters or solicitors for new advisory business. Any solicitation arrangements will comply with Rule 206(4)-1 under the Investment Advisers Act of 1940, as amended, pursuant to which persons introducing new client accounts to Carrington may receive a portion of the advisory fee generated by the account for a period of time that varies on a case-by-case basis.

Item 15. Custody

Funds-of-One

Given Carrington's role (indirectly through wholly-owned special purpose entities) as general partner of each Fund-of-One, Carrington is deemed to have custody of unencumbered assets held at the Fund-of-One. Fund-of-One investors receive monthly account statements prepared by the administrator and each Fund-of-One is either subject to an annual audit conducted by an auditor registered with the Public Company Accounting Oversight Board (with audited financial statements delivered to each investor within 120 days of fiscal year end), or is subject to an annual surprise examination. Account statements are produced and sent to the client directly by the account custodian on at least a quarterly basis. Clients should carefully review such quarterly statements and compare them to the statements provided by the account custodian.

Direct Client Acquisitions

Although Carrington does not have constructive custody of Direct Client Acquisitions, in certain instances, Carrington opens and maintains one or more bank accounts related to a Direct Client Acquisition for the purpose of facilitating the settlement of transactions, and as part of such settlement, Carrington has ability to debit fees and expenses directly from the accounts. Accordingly, these accounts are subject to an annual surprise examination by a PCAOB-registered auditor. Account statements are available to clients online from the custodian via password protected interface and clients are encouraged to review such statements no less than once quarterly.

Item 16. Investment Discretion

Carrington provides non-discretionary investment advisory services to all of its clients. As such, the selection of the residential mortgage and real estate assets acquired and price of such acquisition is ultimately determined by the client. Carrington's advisory services in such instances are limited to sourcing and analyzing residential mortgage and real estate assets and presenting its findings to the client for investment approval, structuring the investment vehicle or securitization trust based on guidelines and objectives of client, and in the execution of the acquisition, resolution and disposition of such residential mortgage and real estate assets.

Item 17. Voting Client Securities

Carrington's present investment strategies generally do not involve occasions where Carrington's clients would have the right to vote proxies. If this changes in the future, Carrington will develop and implement further procedures as required by Rule 206(4)-6 of the Advisers Act to seek to ensure that proxies are voted in the best interests of its clients.

Item 18. Financial Information

Carrington has never filed for bankruptcy and there is no financial condition that Carrington believes is reasonably likely to impair Carrington's ability to meet its contractual commitments to its clients.