



Part 2A of Form ADV

March 2023

This brochure provides information about the qualifications and business practices of Sancus Capital Management LP. If you have any questions about the contents of this brochure, please visit our website at www.sancuscap.com or contact us:

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The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Any reference to Sancus Capital Management L.P. as a “registered investment adviser” or as being “registered” does not imply that it or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about Sancus Capital Management L.P. also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2: MATERIAL CHANGES

Since the last annual updating amendment on March 31, 2022, Sancus has appointed Olga Chernova as its new Chief Compliance Officer. In addition, we have updated item 8 to disclose the Firm's investment process, investment strategy and supplemental risks with respect to the Commercial Loan Obligations ("CLOs") managed by the Firm. There are no additional material changes to report.

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Item 4: ADVISORY BUSINESS

Sancus Capital Management LP (the “Investment Manager,” “Sancus,” “our” or “we”), is a Delaware limited partnership that was formed in February 2009. Sancus is principally owned by Olga Chernova.

Sancus provides discretionary investment advisory services to private investment funds (the “Funds”) for institutional and other sophisticated investors (the “Fund Investors”). Sancus also provides discretionary investment advisory services to separately managed account clients.

Sancus Credit Advisor LP (“Sancus Credit”) offers discretionary management services to collateralized loan obligation vehicles, as disclosed on the Filing Adviser’s Form ADV Part 1A and any other collateralized loan obligation vehicles as could be formed in the future (each, a “CLO” and collectively, the “CLOs”).

The Funds, separately managed account clients, and CLOs are collectively referred to herein as “clients” unless otherwise noted.

Sancus does not tailor advisory services to the individual needs of the Fund Investors. However, Sancus will tailor the advisory services to the individual needs of the separately managed account clients.

Sancus does not participate in wrap fee programs.

As of December 31, 2022, Sancus managed regulatory assets under management of approximately \$635.5 million on a discretionary basis.

Item 5: FEES AND COMPENSATION

Funds:

Sancus generally charges an annual asset-based management fee (the “Management Fee”). The actual fees are described in the advisory contracts entered into between Sancus and the clients or Fund Investors. All Fund Investors are qualified purchasers as defined in the Investment Advisers Act of 1940.

We collect Management Fees from the Funds quarterly in advance. The Funds’ administrator will deduct Management Fees from Fund Investors’ capital accounts on a monthly basis. If a withdrawal is made before the end of a calendar quarter, Sancus will refund the unearned portion of any Management Fees to the Funds. In addition, we collect an incentive allocation, if any, on the last calendar day of any year, based on the net appreciation of each Investor’s capital account during such year, subject to a high water mark.

In addition to Management Fees, Fund Investors are also responsible for their pro-rata share of the relevant Fund’s operating and other expenses, as defined in the Fund’s offering memorandum, including, but not limited to legal, compliance, administrator (including middle-back office services), audit (including custody audit, if applicable) and accounting expenses (including third party accounting services); shareholder proxy voting services; organizational expenses; investment expenses such as commissions, research fees and expenses (including research-related travel); interest on margin accounts and other indebtedness; borrowing charges on securities sold short; custodial fees; bank service fees; Advisory Board fees and expenses; related insurance costs (including D&P and E&O insurance of the Investment Manager, the general partner, and the directors); Directors’ fees and expenses; and any other expenses reasonably related to the purchase, sale or transmittal of investor assets. In the cases of Funds structured as a “master-feeder” fund, such feeder Fund Investors bear a pro-rata share of the expenses associated with the related master fund.

Fund Investors could also be charged an early redemption fee on withdrawals prior to the one-year anniversary date of subscription to the Funds. This fee is applicable only to investors who elect monthly liquidity upon subscription. In addition, any withdrawal request subsequently rescinded within 30 days of the applicable redemption date will be subject to a withdrawal rescission fee.

We reserve the right to waive or modify fees for Fund Investors that are members, employees or affiliates of Sancus, relatives of such persons and for certain large or strategic investors.

Separately Managed Accounts:

The Management Fee for separately managed accounts is generally a percentage of assets under management. Management Fees that are based on a percentage of assets under management are applied to the account asset value on a pro-rated basis, charged quarterly in advance. Generally, the separately managed account clients authorize Sancus to debit quarterly Management Fees directly from their custodial account. The custodian will send a statement to the client, at least quarterly, indicating all the amounts disbursed from the account including the amount of advisory fees. Clients are urged to review these statements carefully.

Separately managed account clients are also responsible for investment related expenses in addition to Management Fees.

CLOs:

Sancus Credit is entitled to receive Management Fees based on a percentage of assets in the CLO. The actual fees are described in the offering documents for each CLO. All CLO investors are qualified institutional buyers and qualified purchasers as defined in the Investment Advisers Act of 1940.

For the services Sancus Credit provides to each CLO, it will generally deduct a quarterly Management Fee in arrears, which will include a “Base Management Fee” and a “Subordinated Management Fee”. Both the Base Management Fee and the Subordinated Management Fee will generally equal a percentage per annum based upon the principal amounts of assets under management (subject to reduction in respect of certain assets). In addition, as described in the offering circular of each CLO, on the closing date for the notes issued by the CLO, the CLO will generally reimburse Sancus Credit for certain expenses incurred by it in connection with such closing, as well as for other expenses incurred by it over the life of the CLO (as described further below under “Expenses”) and pay Sancus Credit a structuring fee.

The CLOs are responsible for and do incur other fees and expenses related to the transactions Sancus Credit, as applicable, executes for its respective accounts. These fees and expenses could include brokerage fees, commissions, mark-ups or mark-downs and other related transaction costs; custodial charges; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; other portfolio expenses; sales and use taxes; and other costs, expenses and fees (including third-party settlement related fees that could be charged in connection with certain types of investments).

Item 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Funds:

As previously stated above, we charge an annual incentive allocation based on the net appreciation of each Fund Investor’s capital account during any fiscal year. We could receive such compensation with regard to unrealized as well as realized gains in an Investor’s account. An incentive allocation arrangement could create an incentive for Sancus to make investments that are riskier or more speculative than would be the case in the absence of an incentive allocation. An incentive allocation arrangement could also create an incentive for the Firm to favor clients with an incentive allocation arrangement over clients that do not have such arrangements or, alternatively, favor clients with higher incentive allocation arrangements over accounts with lower incentive allocation arrangements. However, the Firm is committed to fulfilling its fiduciary duty to its advisory clients to act at all times in their best interest. The Firm has implemented internal controls to address the potential conflicts associated with incentive allocations and periodically reassesses these controls. Additionally, the Firm’s allocation policies are designed to ensure investment opportunities are allocated fairly over time and allocations are not determined based on the desire to earn an incentive. The incentive allocations are charged in compliance with Rule 205-3 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

CLOs:

The terms of each CLO are negotiated. Each CLO will charge an “incentive management fee” that will generally be equal to 20% of the available proceeds after the equity holders have achieved a specified internal rate of return and will be paid by the CLO to Sancus Credit.

Item 7: TYPES OF CLIENTS

Our clients are the Funds and the separately managed accounts. The Fund Investors could include high net worth individuals and a variety of institutional investors (e.g. trusts, endowments, foundations, corporations and other types of entities, including private funds of funds and other corporations or businesses) meeting the terms of the exceptions and exemptions under which the Fund operates and wishing to invest in accordance with the Fund’s investment objective. Fund Investors must meet the requirements for “accredited investors” under the Securities Act of 1933 and a “qualified purchaser” under the Advisers Act. The minimum initial investment is \$500,000 (U.S.), subject to waiver at the sole discretion of Sancus. The minimum additional investment for the Funds is \$100,000 (U.S.), subject to waiver in our sole discretion.

There is no minimum investment amount for separately managed accounts or CLOs.

Item 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Funds and Separately Managed Accounts Investment Process

Sancus performs a robust and extensive analysis of all positions it intends to establish. There are four major components of our investment framework:

Idea Generation: Ideas are generated through macro/thematic views, quantitative analysis, fundamental research, news flow, and new issue pipeline. Macro views are generated by the investment team based on a combination of prior experience and identification of broader trends that the investment team believes will manifest over the short to medium term horizon. Ideas will also be generated by fundamental research driven by industry expertise, thematic views, conferences, buy-side network, as well as sell-side research.

Analysis: We perform quantitative and fundamental analyses of investment ideas. Quantitative analysis could include: break-even analysis, scenario analysis, hedging cost analysis, regression analysis, risk evaluation, and stress tests of model assumptions. Fundamental analysis could include security valuation, enterprise valuation, detailed FCF modeling, management calls, primary checks, legal documentation checks, and business risk assessment. In order to perform its analysis, the company uses a combination of proprietary models and third-party platforms such as Intex.

Decision Making: If an idea is vetted by the analysis, we engage in a final discussion that addresses factors such as return upside/downside, timing of catalysts and transactional liquidity assessment. Next, an assessment is made regarding the impact of the position on the rest of the portfolio.

Capital Allocation: Positions are sized based on our assessment of a trade idea’s conviction level, instrument liquidity, expected risk/reward and likely time horizon of the trade’s catalyst.

Investment Strategy

We seek to have a credit trading strategy focused on the North American and European markets, with the objective of providing attractive risk-adjusted returns. We combine quantitative analysis with fundamental research to identify attractive investment opportunities across securities, capital structures, sectors, and geographies. In addition to directional credit exposure, the fund may pursue one of the following strategies: long/short, relative value and capital structure.

1) Long / Short

Long / Short strategies pursue long or short opportunities in corporate and sovereign credit. While similar in analysis to relative value, long / short trades would involve only directional trades (long or short). In single names, long / short trades express fundamental credit views on specific companies. Trades in synthetic tranches, baskets and structured finance instruments such as CLOs, will generally reflect the anticipated performance of such instruments as a result of changes in correlation, general default or spread environments. We could use options strategies to express outright views on volatility and market direction in various credit indices, as well as for hedging of specific sub-strategies and the overall portfolio.

2) Relative Value

Relative Value investing takes advantage of relative pricing discrepancies between various financial instruments including bonds, equities, options, and over-the-counter derivatives. Trades target convergence / divergence of spreads between different sectors or comparable companies. In indices, relative value trades could express general market views or specific views on the severity and timing of defaults in different geographies, classes, and tiers of debt. Index options could be used to express a view on relative betas between different indices.

3) Capital Structure

Capital Structure trades target relative value opportunities within the same capital structure. We seek to identify mispriced capital structure relationships in specific corporate issuers and structured credit derivative instruments, including 1) secured vs. unsecured debt, 2) senior vs. subordinated debt, 3) debt vs. equity, 4) number of defaults and 5) timing of defaults, among others.

The Funds and Managed accounts also invest in structured credit, specifically CLOs. Investments in CLOs and CLOs Manager Selection Process is based on the following factors. We seek managers that have certain characteristics, including but not limited to:

- Expedient ramp of the portfolio with small amount of unsettled loans;
- Consistent with model portfolio;
- Diversified loans with uniform wider Weighted Average Spread;
- Actively managed portfolios;
- Weighted Average rating Factor decreasing over time;
- Low monthly cash balances;
- Similar industry concentrations across deals; and
- Quant and modelling staff resources.

Methods of Investments and Strategy of CLO Management:

Investment Philosophy

Our investment philosophy is based on four pillars. Firstly, we focus on avoiding weak issuers in leveraged loans, as they have an asymmetric risk/return profile. Secondly, we prioritize research and conviction over diversity to protect from credit losses, focusing on credits with appropriate leverage relative to enterprise value. Determining an acceptable EV/EBITDA multiple is critical. Thirdly, we prioritize liquidity for effective risk management, enabling us to react to unexpected developments. Fourthly, we employ relatively high portfolio concentrations and invest lower in the capital structure, driven by extensive credit analysis and a long history of managing credit portfolios.

Credit Analysis

Our credit analysis is based on several key factors. Firstly, we prioritize cash flow stability, as enterprise values and loan repayments are derived from expected future cash flows. Secondly, we focus on revenue diversification, as product line, end-market, and geographic diversification are essential to cash flow stability. Thirdly, we consider market share and pricing power, as fragmented and oligopoly market structures present different challenges for issuers. Fourthly, we evaluate management performance, looking for a history of successfully forecasting market trends, efficient cost control, acquisition integration, and operating with leverage similar to current levels. Fifthly, we assess expected

liquidity, as credit monitoring is essential to minimize losses, but needs to be supported by the ability to exit a position when necessary.

Portfolio Construction:

Our portfolio construction is guided by several principles. Firstly, we consider leverage relative to enterprise value, recognizing that leverage is only relevant in proportion to the expected EV/EBITDA multiple of the issuer. Secondly, we prioritize issuers with a low proportion of fixed-to-variable operating costs to minimize operating leverage. Thirdly, we focus on stable operations with high leverage, rather than low-levered cyclical issuers. Fourthly, we prioritize liquidity over covenants, with low exposure to smaller issuers due to low liquidity. Fifthly, we prefer higher-spread loans with lower "hard asset" security, as broadly-syndicated loans are primarily repaid from an issuer's enterprise value. Sixthly, we prioritize subordination over low transparency, favoring 2nd lien loans and "unitranche" 1st lien loans with no subordinated debt as the primary sources of excess spread. Finally, we do not consider private-equity ownership as a positive source of credit support, and owners with a history of lender-adverse actions are de-emphasized.

RISK FACTORS

Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. Investors should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential losses.

Reliance on Key personnel of the Investment Adviser

In order for the clients to achieve their investment objectives, they will be highly dependent upon the skill of Sancus in analyzing, acquiring, originating and managing the clients' assets. As a result, the clients are highly dependent on the experience and expertise of the managing partner of Sancus, who may cease to associate with Sancus at any point during the relationship with the clients. The Managing partner does not have an employment contract with Sancus and can leave at any time. The loss of this individual could have a material adverse effect on the ability of the clients to achieve their investment objectives. In addition, individuals not currently associated with Sancus may become associated with Sancus and the performance of the clients could also depend on the experience and expertise of such individuals.

The following are material risks involved in Sancus' investment strategy. This list does not purport to be a complete enumeration or explanation of the risks involved in such strategy. It is designed only for sophisticated persons who are able to bear the economic risk of the loss of their entire investment and who have a limited need for liquidity in their investment. The following risks should be carefully evaluated before making an investment in the clients:

Nature of Fund Investments

An investment in the Funds and separately managed accounts could be deemed to be a highly speculative investment and is not intended as a complete investment program. We have broad discretion in making investments for the Funds and separately managed accounts. Investments will generally consist of credit-based instruments and other assets that could be affected by business, financial market or legal uncertainties. There can be no assurance that we will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments can be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, can significantly affect the results of the Funds' or separately managed accounts' activities and the value of its investments. In addition, the value of the Funds' or separately managed accounts' portfolio can fluctuate as the general level of interest rates fluctuates. No guarantee or representation is made that the Funds' or separately managed accounts' investment objective will be achieved.

Nature of CLO Investments

The CLOs invest in collateral obligations consisting at the time of acquisition of predominantly bank loans and other debt instruments of the HY companies, all of which have greater credit and liquidity risk than investment grade sovereign or corporate bonds or loans. Such collateral is subject to credit, and liquidity risks. CLOs are typically

structured so that the notes issued by the CLO are able to withstand certain estimated losses relating to defaults of the underlying collateral obligations. However, there are no assurances that actual losses will not exceed such estimated losses. If any losses exceed such estimated levels, payments to CLO investors could be adversely affected.

Derivatives

To the extent that we invest client capital in swaps, derivative or synthetic instruments, repurchase agreements or other over-the-counter transactions or, in certain circumstances, non-U.S. securities, the clients can take a credit risk with regard to parties with whom it trades and can also bear the risk of settlement default. These risks can 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. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets (directly or indirectly) of the clients, and hence the clients should not be exposed to credit risk with regard to such parties. However, it could not always be possible to achieve this segregation, and there could be practical or time problems associated with enforcing rights to its assets in the case of an insolvency of any such party.

Credit Derivatives

Credit derivatives are contracts that transfer price, spread and/or default risks of debt and other instruments from one party to another. Such instruments can include one or more debtors. Payments under credit derivatives can be made during the exercise period of the contracts. Payments under many credit derivatives are triggered by credit events such as bankruptcy, restructuring, failure to pay, cross default or acceleration, etc. Such payments can be for notional amounts, actual losses or amounts determined by the formula.

There are considerable risks that it can become difficult to either buy or sell the contracts as needed or at reasonable prices. Sellers of credit derivatives carry the inherent price, spread and default risks of the debt instruments covered by the derivative instruments. Buyers of credit derivatives carry the risk of non-performance by the seller due to the inability to pay. There are also risks with respect to credit derivatives in determining whether an event will trigger payment under the derivative and whether such payment will offset the loss or payment due under another instrument. In the past, buyers and sellers of credit derivatives have found that a trigger event in one contract could not match the trigger event in another contract, exposing the buyer or the seller to further risk.

Credit Default Swaps ("CDS")

The "buyer" in a credit default contract is obligated to pay the "seller" a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation. Generally, a credit event means bankruptcy, failure to pay, restructuring or obligation acceleration. If a credit event occurs, the seller typically must pay the contingent payment to the buyer, which is typically the "par value" (full notional value) of the reference obligation. The buyer will deliver recovery value for the reference obligation either via a cash settlement or by physical delivery of the reference obligation in return for the payment of the face amount of the obligation. The clients could be either the buyer or seller in the transaction. If the clients are buyers and no credit event occurs, the clients could lose the premium it has paid for protection. However, if a credit event occurs, the buyer typically receives a notional value of reference obligations adjusted for any recovery amount. As sellers, the clients receive a fixed rate of income throughout the term of the contract, which typically is between one month and five years, provided that no credit event occurs. If a credit event occurs, the seller could pay the buyer the notional value of reference obligations adjusted for any recovery amount. CDSs can involve greater risks than if the clients had invested in the reference obligation directly. In addition to general market risks, CDSs are subject to the counterparty credit risk. A buyer also could lose the premium it paid for protection should no credit event occur. If a credit event were to occur, the value of the reference obligation received by the seller, coupled with the periodic payments previously received, can be less than the full notional value it pays to the buyer, resulting in a loss of value to the Funds.

Options

The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case could be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

Debt Securities

Clients have the ability 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 can be secured on substantially all of that issuer's assets. Clients have the ability to take positions in debt securities that are not protected by financial covenants or limitations on additional indebtedness. Clients have the ability to invest in securities which are moral obligations of issuers or subject to appropriations. The clients will, therefore, be subject to credit and liquidity risks.

High Yield Securities

Clients have the ability to invest 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 a 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 a 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 can 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, can be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

Distressed Securities

Clients have the ability to invest in "distressed" securities, claims and obligations of domestic and foreign entities that are experiencing significant financial or business difficulties. Investments can include loans, commercial paper, loan participations, trade claims held by trade or other creditors, stocks, partnership interests, and similar financial instruments, executory contracts and options or participations therein not publicly traded. Distressed securities can result in significant returns to clients, but also involve a substantial degree of risk. Clients can lose a substantial portion or all of its investment in a distressed environment or be required to accept cash or securities with a value less than the client investments. Among the risks inherent in investments in entities experiencing significant financial or business difficulties is the fact that it frequently can be difficult to obtain information as to the true condition of such issuers. Such investments also can be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. The market prices of such instruments are also subject to abrupt and erratic market movements and above average price volatility and the spread between the bid and asked prices of such instruments can be greater than normally expected. In trading distressed securities, litigation is sometimes required. Such litigation can be time-consuming and expensive, and can frequently lead to unpredicted delays or losses. Moreover, to the extent that the clients invest 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 can be affected by world events, changes in U.S. foreign policy and other factors outside of the control of the Investment Manager.

Structured Finance Securities

Clients have the ability to invest in structured finance securities such as, for example, equipment trust certificates, collateralized bond obligation (CBOs), collateralized loan obligation (CLOs) or similar instruments. Structured finance securities can present risks similar to those of the other types of investments in which clients can invest and, in fact, such risks can be of greater significance in the case of structured finance securities. Moreover, investing in structured finance securities can entail a variety of unique risks. Among other risks, structured finance securities can 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 can have a material adverse effect on the yield to maturity. It is, therefore, possible that the clients can incur losses on its investments in structured products regardless of their ratings by S&P or Moody's. Additionally, the securities in which we are 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 can sell at a price lower than similar securities that are not subject to such restrictions.

Lending Risks

To the extent that clients make investments in loans, the value of the clients' investment in loans (and hence, each Shareholder's interest) can 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. We attempt to minimize this 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 Sancus to collateral underlying a loan of clients can be realized upon liquidation, nor can there be any assurance that collateral will retain its value. In addition, certain clients' 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 can be detrimentally affected if a guarantor fails to meet its obligations under the guarantee. Moreover, the value of collateral supporting loans can fluctuate. We will seek to adopt appropriate procedures to minimize such risks.

Loan Participations and Assignments

Clients have the ability to invest in corporate loans acquired through assignments or participations. In purchasing participations, clients will usually have a contractual relationship only with the selling institution, and not the borrower. Clients generally will have no right directly to 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. Clients could not directly benefit from the collateral supporting the related secured loan and could not be subject to any rights of set-off 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, clients can be treated as a general creditor of such selling institution, and could 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 can be subject to the credit risk of the selling institution as well as of the borrower. Certain loans or loan participations could be governed by the laws of a jurisdiction other than a United States jurisdiction, which can 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.

Special Situations

Clients have the ability to invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies 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, will 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 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 could be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which clients are able to invest, there is a potential risk of loss by the clients of its entire investment in such companies.

Equity-Related Instruments in General

We could use equity-related instruments in its investment program. Certain options and other equity-related instruments could be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk, and operations risk. In addition, equity-related instruments can involve significant economic leverage and could, in some cases, involve significant risks of loss.

Small to Medium Capitalization Companies

Clients have the ability to invest a portion of its assets in the stocks of companies with small-to medium-sized market capitalizations. While we believe these investments often provide significant potential for appreciation, those stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of such stocks are often more volatile than the prices of large-capitalization stocks. In addition, due to thin trading in some such stocks, an investment in these stocks can be more illiquid than that of larger capitalization stocks.

Exchange Traded Funds

Because exchange-traded funds (“ETFs”) (which are registered investment companies) are effectively portfolios of securities, we believe that the unsystematic risk associated with investments in ETFs is generally very low relative to investments in ordinary securities of individual issuers. There can be certain risks to the extent a particular ETF is concentrated in a particular sector and is not as diversified as the market as a whole.

It should be noted that the U.S. Investment Company Act of 1940, as amended (the “Investment Company Act”), places certain restrictions on the percentage of ownership that a private investment fund could have in a registered investment company.

Non-U.S. Securities

Investing in securities of non-U.S. governments and companies that are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets, and less available information than is generally the case in the United States, higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

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 attempt to minimize the exposure of clients 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.

Currency Risks

Clients’ investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that can 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. Sancus attempts to hedge such risks.

Use of Leverage

As noted above, the clients have the ability to utilize leverage. This results in clients controlling substantially more assets than the clients have equity. Leverage increases clients' returns if the client earns a greater return on investments purchased with borrowed funds than the clients' cost of borrowing such funds. However, the use of leverage exposes clients to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the clients not borrowed to make the investments, (ii) margin calls or interim margin requirements which can force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the clients' cost of borrowing such funds. In the event of a sudden, precipitous drop in the value of clients' assets, clients might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses.

In an unsettled credit environment, Sancus could find it difficult or impossible to obtain leverage for clients. In such an event, the clients could find it difficult to implement its strategy. In addition, any leverage obtained, if terminated on short notice by the lender, could result in Sancus being forced to unwind clients' positions quickly and at prices below what the Investment Manager deems to be fair value for such positions.

Short Sales

Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on clients' portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

Portfolio Turnover

The investment strategy of the clients could require us to actively trade clients' portfolio, and as a result, turnover and brokerage commission/transaction expenses of clients can significantly exceed those of other investment entities of comparable size.

Diversification Risk

As discussed above, we seek to diversify our investment approach through multiple strategies in long/short liquid credit instruments in the North American and European markets. However, we could not be successful in diversifying the clients' portfolio and, consequently, could not be widely diversified among sectors, industries, geographic areas, issuers or types of securities. Accordingly, client portfolios can be subject to more rapid change in value than would be the case if clients were required to maintain a wide diversification among sectors, industries, geographic areas, issuers or types of securities.

Lack of Liquidity

As discussed above, client portfolios typically consist of liquid investments. However, we could not be successful in constructing a liquid portfolio and, consequently, clients' assets can include securities and other financial instruments or obligations that are thinly traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments could be possible only at substantial discounts and it could be extremely difficult to accurately value any such investments.

Convergence Risk

Clients have the ability to pursue relative value strategies by taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued. In the event that the perceived mispricings underlying the clients' trading positions were to fail to converge toward, or were to diverge further from, our expectations, the clients could incur a loss.

Financial Market Fluctuations

General fluctuations in the market prices of securities can affect the value of the investments held by clients. Instability in the securities markets can also increase the risks inherent in client investments.

Dodd Frank Act

In response to the downturn in the credit markets and the global economic crisis of 2007-2008, legislators and various agencies and regulatory bodies of the United States federal government and in Europe have taken or are considering taking actions. These actions include, but are not limited to, the enactment of the Dodd Frank Wall Street Reform and Consumer Protection Act (the “Dodd Frank Act”), which was signed into law on July 21, 2010, and which imposes a new regulatory framework over the U.S. financial services industry and the consumer credit markets in general, and proposed and actual regulations by the SEC, the Commodity Futures Trading Commission, and other agencies and regulatory bodies. Implementation of the Dodd Frank Act has required, and will continue to require, many lengthy rulemaking processes resulting in the adoption of a multitude of new regulations applicable to financial entities, markets and instruments. The Dodd Frank Act may affect Sancus and its clients in many respects. While many regulations implementing various provisions of the Dodd Frank Act have been finalized and adopted, some implementing regulations currently exist only in draft form and are subject to comment and revision, and still other implementing regulations have not yet been proposed. It is therefore difficult to predict the effect of any regulatory or tax changes currently being implemented or which may be implemented in the future on Sancus and its clients, as well as on the markets and instruments in which they invest and the counterparties with which they conduct business.

Insolvency Considerations

With respect to U.S. obligors, Sancus invests client accounts in loans and debt securities, various 13 laws enacted for the protection of creditors may apply to instruments held by clients. The loans of obligors not organized or incorporated in the United States will be subject to laws enacted in their home countries for the protection of creditors, which may differ from and be less favorable than the laws described above. If in a lawsuit brought by an unpaid creditor or representative of creditors of an obligor (such as a trustee in bankruptcy) under a loan, a court were to find that the obligor did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting the loan and, after giving effect to such indebtedness, the obligor (1) was insolvent, (2) was engaged in a business for which the remaining assets of such obligor constituted unreasonably small capital or (3) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, then the court could determine to invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, to subordinate such indebtedness to existing and/or future creditors of the obligor, or to recover amounts previously paid by the obligor in satisfaction of such indebtedness. There can be no assurance as to what standard a court would apply to determine whether the obligor was “insolvent” after giving effect to the incurrence of the indebtedness constituting the loan or that, regardless of the method of valuation, a court would not determine that the obligor was “insolvent” upon giving effect to such incurrence. In addition, in the event of the insolvency of an obligor of a loan, payments made on such loan could be subject to avoidance as a “preference” if made within a certain period (which may be as long as one year) before insolvency. In general, if payments on an obligation are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured from the initial recipient (such as clients).

Investments in Cash or Cash-Equivalent Investments

Sancus may invest a portion of clients’ assets in cash or cash equivalents when, for example, (1) clients are initially funded or additional funding occurs and targeted investments have not been identified or purchased, (2) other investments are unattractive, (3) providing a reserve for anticipated obligations of clients or (4) for other temporary purposes. Although such practices may assist in the preservation of capital, the assumption of cash positions may also reduce potential investment returns, especially for clients who pay Management Fees on cash or cash equivalents. Cash investment practices may be expected, therefore, to affect total investment performance of clients’ portfolios.

Pandemic Outbreak

An epidemic or pandemic outbreak and reactions to such an outbreak typically cause uncertainty in markets and businesses, including Sancus' business, and generally adversely affect the performance of the global economy, including causing market volatility, market and business uncertainty and closures, supply chain and travel interruptions, the need for employees and vendors to work at external locations, and extensive medical absences. Sancus has policies and procedures to address known situations, but because a large epidemic or pandemic could create significant market and business uncertainties and disruptions, not all events that could affect Sancus' business and/or the markets can be determined and addressed in advance.

Russian Invasion of Ukraine

In February 2022, Russia mobilized and commenced military operations in Ukraine resulting in a large scale conflict within the country and the surrounding border regions. The effects, scale and impact of this conflict on Ukraine, Russia and other countries is highly uncertain and cannot be predicted. The United States and other global leaders have announced economic sanctions against Russia and it is unclear whether further sanctions and/or military responses will be implemented. Sancus has policies and procedures pertaining to situations that might impact business activities but the effects on the global economy and trading markets resulting from the military operations and economic sanctions connected to the Russia-Ukraine conflict are uncertain and impossible to predict on a global scale.

Business Continuity and Disaster Recovery Risks

The Firm business operations could be vulnerable to disruption in the case of catastrophic events such as fires, natural disaster, terrorist attacks or other circumstances resulting in property damage, network interruption and/or prolong power outages. Although the Firm has implemented, or expects to implement, measures to manage risks relating to these types of events, there can be no assurances that all contingencies can be planned for. These risks of loss can be substantial and could have a material adverse effect on the Firm and investments therein.

Cybersecurity and Systems Risks.

Sancus relies on computer programs, networks, devices and systems (and could rely on new systems and technology in the future) in connection with the clients' investment activities. These programs or systems could be subject to certain defects, failures, interruptions or security breaches, including, but not limited to, those caused by computer "worms," viruses, power failures and social engineering schemes such as "phishing," each of which could result in a loss to the clients. A successful penetration or circumvention of the security of the Firm's systems could result in the loss or theft of a client's or Fund Investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the clients, the Firm or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. In addition, the Firm could incur substantial costs related to forensic analysis of the origin and scope of a cybersecurity breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, adverse investor reaction or litigation. Similar types of operational and technology risks are also present for the companies in which the clients invest, which could have material adverse consequences for such companies, and could cause the clients' investments to lose value.

Item 9: DISCIPLINARY INFORMATION

There has been no criminal, civil, association, regulatory or administrative proceedings against Sancus, its affiliates or any of its principals or key persons, or any similar matters including reparations, arbitrations, and negotiated settlements.

Item 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Sancus' principal owner, Olga Chernova, serves as a Director of Sancus Capital Select Master Fund, Ltd. (the "Master Fund"), Sancus Capital Select Fund, Ltd. (the "Offshore Feeder Fund") and Sancus Capital Credit Master Fund, Ltd.

Sancus Capital LLC is an affiliate of the Firm and holds a small (1%) ownership interest in Sancus Capital Management LP. Sancus Capital LLC's principal owner is Olga Chernova.

Sancus Capital Advisors LLC is an affiliate of the Firm and serves as the general partner of Sancus Capital Credit Partners, LP and Sancus Capital Select Partners, LP. Sancus Capital Advisors LLC's principal owner is Olga Chernova.

Sancus Credit is a "relying adviser" affiliate of the Firm, and it serves as collateral manager of the Trysail CLOs.

Sancus is registered as a commodity pool operator and Sancus' principal Olga Chernova is registered as an associated person.

Item 11: CODE OF ETHICS

Pursuant to Rule 204A-1 of the Investment Advisers Act of 1940, as amended, we have established a Code of Ethics that is designed to, among other things, provide a statement of the general standards of conduct required by Sancus. The Code of Ethics governs such areas as conflicts of interest, confidential information, personal securities investing, political contributions, gifts, and insider trading. The foundation of the Code consists of three underlying principles:

- Employees must at all times place the interests of clients first. In other words, as a fiduciary, you must scrupulously avoid serving your own personal interests ahead of the interests of Sancus clients.
- Employees must ensure that any personal securities transactions are conducted consistent with the Code and the Sancus Employee Investment Policy (the "EIP") and in such a manner as to avoid any actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility.
- Employees must not take inappropriate advantage of their positions. The receipt of investment opportunities, perquisites, or gifts from persons seeking business with us could call into question the exercise of an employee's independent judgment.

We have established a personal trading policy, including, but not limited to: preauthorization of certain trades, discouragement of excessive trading and monitoring conflicts of interest with securities in companies that the Firm holds investments in or is contemplating holding investments in.

We will provide a copy of the Code of Ethics to any client, Fund Investor or potential client or investor upon request.

Sancus, its affiliates, and employees have a financial interest in the Funds through its incentive allocation and through direct investments in the Funds. As such, we could be considered to have recommended to investors that they buy or sell securities or investments in which the applicant or a related person has some financial interest.

Sancus generally prohibits its employees from trading securities of a particular issuer if the Funds hold a position in any security type in any direction of that same issuer. However, there could be instances in which this practice is permitted under the Code of Ethics, resulting in a Conflict of Interest. We will monitor employee trading to ensure that the interests of our clients always come before its own and those of its employees.

Item 12: BROKERAGE PRACTICES

Brokerage Discretion

We are authorized to determine the broker or dealer to be used for each securities transaction for the Funds. Sancus considers a range of factors when selecting brokers or dealers to execute transactions. Sancus need not solicit competitive bids and does not have an obligation to seek the lowest available commission/transaction cost. Thus the Funds could be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission/transaction rate.

The Funds will maintain an account with one or more prime brokers or custodians, through which the Funds could execute trades, borrow securities and maintain custody of its securities.

Sancus reserves the right, in its sole discretion, to change its' brokerage and custodial arrangements without further notice to Fund Investors.

Sancus does not have the authority to select the broker or dealer to be used for the separately managed account clients. As a result, there could be certain costs or disadvantages to the clients. Those costs could include, but are not limited to, higher brokerage commissions and potentially less favorable execution of transactions.

Best Execution

Sancus seeks "best execution" of transactions. A range of factors is considered before selecting a broker including pricing, liquidity, margin requirements, credit terms, responsiveness and speed of execution, reputation and financial stability, and the quality and value of any research provided.

Although Sancus attempts to effect client transactions in a manner consistent with its policy of seeking best execution, there could be occasions where it is unable to do so, in which case Sancus will continue to comply with the client's directions. A client who directs Sancus to direct brokerage to a particular broker dealer to effect transactions should consider whether this designation could result in certain costs or disadvantages to the client. These costs could include higher brokerage commissions (because Sancus could not be able to aggregate orders to reduce transaction costs) and potentially less favorable execution of transactions. The commissions charged to clients that direct Sancus to execute the client's trades through a specified broker-dealer could in some transactions be materially different than those of clients who do not direct the execution of their trades.

Soft Dollars

When selecting a broker or dealer, we could consider the value of various products or services, beyond transaction execution, that the broker or dealer provides to Sancus or the clients. Section 28(e) of the Securities Exchange Act of 1934, as amended, provides a "safe harbor" which permits an investment manager to use "soft dollars" to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. Except for services that would be Fund expenses (as previously discussed under Fees and Compensation), Sancus will limit the use of soft dollars to obtain research and brokerage services within the meaning of Section 28(e). We could receive such products and services including, but not limited to, commentaries on markets, industries and securities, financial and other publications, economic surveys and analyses, research, trading advice, quotation services, and general information relevant to our advisory business that could assist us in making trading decisions. Although we do not generally pay for products or services provided by its brokers, we could have an incentive to select a broker based to some extent on the products or services provided rather than the best execution price available. We recognize the conflict of interest inherent in using soft dollar products and services, and are committed to maintaining soft dollar and best execution policies and procedures to ensure that clients' interests are the focus of our broker selection procedures.

We could place transactions with a broker or dealer that (i) provides Sancus with the opportunity to participate in capital introduction events sponsored by the broker or dealer or (ii) refers investors to the Funds. Sancus recognizes that this

falls outside the parameters of Section 28(e). We will not select a broker or dealer in recognition of the opportunity to participate in such capital introduction events or the referral of investors.

Aggregation of Orders

When appropriate, we aggregate client orders to achieve more efficient execution or to provide for equitable treatment among accounts. Alternatively, we could also allocate individual trades across accounts on a pro-rata basis to achieve a similar result. In addition, we could determine an appropriate allocation should be non-pro-rata if such allocation would preserve liquidity, maintain risk and leverage parameters, manage available cash balances, etc.

Trade Errors

Sancus defines a “trade error” as (i) an error in the investment decision making process, and (ii) an administrative error made prior to or during the trade’s execution (e.g. trader executes a wrong security or bond, or for an incorrect number of shares or bonds).

As a matter of general policy, it is anticipated that the Funds and clients will absorb trading errors. However, we will review each trading error on a case-by-case basis. Sancus mandates that trading errors must be corrected as soon as possible upon discovery. The following procedures should be followed to properly handle trading errors.

1. All material trade errors must be documented. The Chief Compliance Officer (CCO) will maintain copies of the completed trade error report for monitoring, reimbursement, and regulatory purposes.
2. Determine the amount of the trade error and whether a correction is appropriate.
 - a. In determining whether a client has suffered a loss or missed an investment opportunity as a result of a trade error, the Portfolio Manager and management must determine the position the client would have been in but for the error.
 - b. Since there could be times where it is necessary to reimburse a client for transactional expenses, interest, and/or missed investment opportunities, the proper treatment of trade errors should be coordinated among the CCO and Portfolio Manager involved in the matter.
 - c. Sancus’ management, in consultation with the CCO, will determine an appropriate method to correct an error in light of the facts and circumstances.

Item 13: REVIEW OF ACCOUNTS

Client portfolios, their performance, and certain risk parameters are reviewed daily by the Chief Investment Officer and other investment professionals at Sancus.

We provide Fund Investors with weekly and monthly performance estimates, monthly newsletters and monthly risk reports. The Funds’ administrator distributes unaudited capital balances to investors on a monthly basis. Audited financial statements, and if applicable tax statements, are distributed to Fund Investors on an annual basis. Fund Investors could also receive periodic updates of information that is material to their investment.

In the context of the CLO management business, various reports are made available to CLO tranche holders. These include monthly Trustee reports, as well as quarterly payment reports and an annual PFIC report. These reports provide important information about the CLOs and their performance.

Item 14: CLIENT REFERRALS AND OTHER COMPENSATION

Sancus has entered into an agreement with a third-party marketing firm, Far Hills Group, LLC (“Far Hills”). Far Hills receives an annual fee and/or a commission based on the fees Sancus earns in its capacity as the investment adviser. Annual fees and commissions are paid by Sancus and not by the Funds, and therefore would not impact the returns of investors. Far Hills discloses to potential investors that it would receive compensation from Sancus if they invested with the Funds.

Item 15: CUSTODY

We do not provide custodial services to the Funds, Fund Investors or separately managed account clients. Client and Fund Investor assets are held with broker-dealers or banks that are deemed “qualified custodians.”

To ensure compliance with Rule 206(4)-2 under the Advisers Act, we will be required to provide all investors with audited financial statements for the Funds prepared by an independent accounting firm that is registered with and subject to review by the Public Company Account Oversight Board, in accordance with U.S. Generally Accepted Accounting Principles, within 120 days of the end of such Fund’s fiscal year. You should carefully review the audited financial statements of the Funds.

In addition, although Sancus does not maintain direct custody or possession of any of its separately managed account client’s funds or securities, we are deemed to have custody of the client’s assets if we are authorized to instruct the custodian to deduct Sancus’ fees directly from the client’s account. The custodian maintains actual custody of client assets. Clients will receive account statements directly from the custodian at least quarterly. They will be sent to the email or postal mailing address provided to the custodian. Clients should carefully review those statements promptly upon receipt.

Item 16: INVESTMENT DISCRETION

Sancus maintains full investment discretion over the Funds as detailed in, and subject to, the advisory contracts entered into with its investors.

Item 17: VOTING CLIENT SECURITIES

Sancus will vote proxies as required, however, as a general practice, we do not intend to vote proxies. Prior to voting the proxy, the relevant employees of Sancus will make a determination, in their opinion, as to what vote is in the best interest of the Funds. The CCO will review any proxies to ensure that any material conflict of interest between Sancus and the Funds that arises is resolved in the best interests of the Funds. We will maintain a written record of the proxy vote on each occasion that a vote is required. Upon request, we will provide our Fund Investors with a copy of our proxy voting policy and any historical proxy information.

Item 18: FINANCIAL INFORMATION

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. Sancus has no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.