



**DISCLOSURE DOCUMENT:  
FORM ADV PART 2A BROCHURE**

**DW Partners, LP**

**August 14, 2023**

590 Madison Avenue, Floor 13 | New York, NY 10022  
Tel: +1-212-751-6100 | Fax: +1-212-486-2326  
Email: [Info@DWPartners.com](mailto:Info@DWPartners.com)

Website: [www.DWPartners.com](http://www.DWPartners.com)

**This Brochure provides information about the qualifications and business practices of DW Partners, LP ("DW"). If you have any questions about the contents of this Brochure, please contact us at 212-751-6100. 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.**

**Additional information about DW is also available on the SEC's website at  
[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

DW is an investment adviser that is registered with the SEC. Registration with the SEC does not imply a certain level of skill or training.

## **Item 2. Summary of Material Changes**

On August 14, 2023, DW updated this Brochure as part of an other-than-annual amendment. There was a material change made to Item 10. See below for details on Domain Servicing.

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#### **Item 4. Advisory Business**

##### **(A) Operational and Organizational Information.**

DW Partners, LP ("DW" or the "Firm") is a Delaware limited partnership. It is registered with the U.S. Securities and Exchange Commission ("SEC") as an investment adviser. The Firm was founded as DW Investment Management, LP in June 2009. As of December 31, 2014, DW Investment Management, LP legally changed its name to DW Partners, LP.

David Warren is the Firm's founder, principal owner, Chief Executive Officer and Chief Investment Officer ("CIO"). Mr. Warren has more than 30 years of experience investing in and overseeing a range of credit strategies. He previously spent 15 years as a Managing Director overseeing structured finance, corporate credit trading and research teams at Credit Suisse First Boston and Morgan Stanley.

##### **(B) Types of Advisory Services Offered.**

DW provides discretionary investment management services to private investment funds and separately managed accounts. DW generally has broad and flexible investment authority and invests across a wide range of strategies and asset classes including, but not limited to, corporate credit, structured finance, commercial real estate, and residential homebuilder finance, energy, and distressed middle markets.

As of December 31, 2022, DW provides discretionary investment advisory services to the following pooled investment vehicles: DW CMBS Master Fund I, LP and its related feeder funds, DW CMBS Onshore Fund I, LP and DW CMBS Offshore Fund I, Ltd. (collectively, "DW CMBS"); Domain Metric Fund, LP ("Domain Metric"); Domain Real Estate Offshore Fund I, LP ("Domain Offshore"); DW RMBS Fund, LP and its related feeder fund, DW RMBS Offshore Fund, LP (collectively, "DW RMBS"); DW Recovery Master Fund, LP and its related feeder funds, DW Recovery Fund, LP and DW Recovery Offshore Fund, LP (collectively, "DW Recovery") and New York – 80 South Coinvest, LP ("DW 80S"). The DW CMBS and DW Recovery feeder funds typically invest through a master-feeder structure, but they may also invest directly and/or indirectly through other investment vehicles. DW also provides discretionary investment advisory services to a fund-of-one: DW-TX, LP ("DW-TX"). DW CMBS, Domain Metric, Domain Offshore, DW-TX, DW RMBS, DW Recovery and DW 80S are collectively referred to herein as the "DW Funds."

In addition, as of December 31, 2022, DW provides discretionary investment advisory services to nine separately managed accounts ("SMAs").

Finally, DW provides discretionary investment advisory services as a sub-advisor to private investment funds managed by Corbin Capital Partners, L.P. (the "Sub-Advised Funds," and together with the DW Funds and the SMAs, the "Clients").

DW General Partner, LLC ("DW GP"), an affiliate of DW, serves as the general partner of DW-TX, Domain Metric, DW RMBS Fund, LP, DW Recovery and DW 80S. DW Domain GP, LLC ("DW Domain GP"), also an affiliate of DW, serves as the general partner of Domain Offshore. DW CMBS Fund I GP, LLC ("DW CMBS GP"), also an affiliate of DW, serves as the general partner of DW CMBS Master Fund I, LP and DW CMBS Onshore Fund I, LP. DW GP, DW Domain GP, and DW CMBS GP are primarily owned and controlled by David Warren. DW GP, DW Domain GP, DW CMBS GP, and DW Partners II, LP ("DW II"), a subsidiary of DW that was established in order to collect management fees, have together with DW filed a single Form ADV in reliance on the SEC's no-action letter issued to the American Bar Association, Business Law Section dated December 8, 2005.

**(C) Domain Real Estate Partners.**

Domain Real Estate Partners, LLC ("DREP") is an entity within DW's operational structure that executes DW's residential homebuilder finance strategy on behalf of Domain Metric, Domain Offshore, and certain other Clients. A small number of individuals primarily associated with the strategy conduct business using DREP's name. Note, however, that they are employees of DW and fully subject to DW's supervisory structure and compliance program.

**(D) Client Investment Guidelines and Parameters.**

Investors and prospective investors should refer to the confidential private placement memoranda for the DW Funds, as applicable, and the governing documents for all Clients (the "Governing Documents") for detailed information regarding the investment objectives and restrictions of each Client.

**(E) Wrap Fee Programs.**

The Firm does not participate in wrap fee programs.

**(F) Assets under Management.**

The amount of Client regulatory assets under management as of December 31, 2022 is \$1,729,385,715. DW does not manage any Client assets on a non-discretionary basis.

**Item 5. Fees and Compensation**

**(A) Generally.**

DW generally receives compensation for managing Client assets based on the total net value of the assets under management and the performance achieved for each Client's account.

DW generally receives a management fee (the "Management Fee") that is payable monthly or quarterly in arrears, equal to an annual rate of between 0.25% and 1.0% of net assets. DW also generally receives an annual performance allocation or fee of between 10% and 20% of investment proceeds, if any, subject to a high-water mark and in some cases a preferred return or a performance hurdle with general partner catch-up (the "Incentive Compensation").

DW has the ability to reduce the fees charged to an investor based on certain variables, including the total amount invested with the Firm. DW also has the ability to waive, reduce or rebate fees attributable to any investments held by or on behalf of any other party, including, without limitation, any employee, agent or affiliate of DW. Partners, employees and certain affiliates of DW currently invested in the DW Funds are not charged Management Fees and Incentive Compensation.

The above information is a summary. Please consult the relevant Governing Documents for additional information.

**(B) Compensation Deduction.**

Management Fees and Incentive Compensation earned by DW with respect to the DW Funds are deducted automatically from the DW Funds' accounts pursuant to their respective Governing Documents. The Sub-Advised Funds and the SMAs are billed for Management Fees and Incentive Compensation payable to DW.

### **(C) Other Fees and Expenses.**

Pursuant to their respective Governing Documents, the DW Funds are responsible for paying organizational expenses, investment expenses and operating expenses.

- Organizational Expenses – Expenses incurred in connection with the organization and initial issuance of the fund.
- Investment Expenses – Expenses associated with the investment program of the fund, including, without limitation: brokerage expenses; commissions, dealing and spread costs (which vary depending on a number of factors, including, without limitation, the bank, broker or dealing counterparty utilized for the transaction, the particular instrument traded and the volume and size of the transaction); execution, give-up, exchange, clearing and settlement charges; initial and variation margin; principal; regulatory filings, commissions and fees; delivery; custodial fees; escrow expenses; insurance costs; third party research; interest and borrowing charges on margin accounts and other indebtedness; bank, broker and dealer service fees; interest expenses; consulting, advisory, investment banking, legal, tax advisory, accounting and other professional fees and expenses relating to particular investments or contemplated investments; expenses relating to risk reporting services and trade management systems and all other research expenses (including, without limitation, travel expenses related to research); costs of acquiring membership in exchanges; and all other costs, expenses, fees and charges relating to the acquisition, disposition, and holding of fund investments, as applicable (including, without limitation, taxes, costs and expenses of any special purpose vehicle or any investment made directly by a feeder fund) or otherwise directly or indirectly related to a fund's investment program.
- Operating Expenses – Expenses associated with the operation of the fund, including, without limitation: management fees; administrative expenses; custodial expenses; legal expenses; compliance and regulatory expenses (including, without limitation, third-party expenses incurred by DW, a fund, or any of their affiliates); board of directors' fees and expenses (if any); costs of insurance (if any) for the benefit of the board of directors; internal and external accounting expenses; audit and tax preparation expenses, interest; taxes; communication expenses with respect to investor services and expenses of partner or shareholder meetings and of financial and other reports; all expenses incurred in connection with the offer and sale of Interests or shares in the fund, as applicable; and all other expenses associated with the operation of the fund, as applicable, including, without limitation, costs and expenses relating to the reorganization and all extraordinary expenses (such as the cost of litigation or indemnification payments, if any).

Each feeder fund bears its own organizational, investment and operating expenses as set forth above, and a pro rata share of such expenses incurred by their related master fund. Expenses specifically attributable to a single investor or group of investors are charged solely to such investor or group of investors, as applicable.

Subject to certain restrictions and caps set forth in their respective Governing Documents, the DW Funds bear their own organizational expenses, investment expenses, and operating expenses as described above.

The Sub-Advised Funds and SMAs bear their pro-rata portion of all expenses associated with their investments. Such expenses include, but are not limited to, due diligence fees, transactional fees, legal, audit (if any) and accounting fees, trustee fees, third party valuation service fees, administration fees, custodial fees, brokerage commissions, clearing fees, interest and withholding or transfer taxes incurred, and similar expenses incurred by the seller of an asset or by DW in connection with its management of the relevant asset.

For certain investment opportunities, DW engages with joint venture partners ("JVPs") that provide opportunistic benefits to the Clients via knowledge, capital or location. JVPs may offer services directly or through an affiliated third party. Such services include property management, field oversight or other

services particular to an investment. In these instances, JVPs receive compensation as owners or financiers of the investment opportunity. Separately, these JVPs (or their affiliates) receive direct compensation from the Clients for services provided in maintaining the investment. DW, as investment manager, carefully selects each JVP and maintains oversight of these relationships to ensure that costs are reasonable and the Clients are treated fairly.

From time to time, DW incurs fees, costs and expenses on behalf of multiple Clients. DW endeavors to allocate such fees, costs and expenses on a fair and reasonable basis. Each Client will typically bear an allocable portion of any such fees, costs, and expenses in proportion to the size of its investment in the activity or entity to which the expense relates (subject to the terms of each Client's applicable Governing Documents) or in such other manner as DW considers fair and reasonable. At times, one Client will initially bear all expenses for a particular investment because DW expects it to be the only Client investing in the opportunity, but DW will later determine that other Clients should participate. In such situations, DW ensures that the purchase price paid by the newly-participating Clients reflects their allocable share of the expenses that were incurred.

**(D) Fees Paid in Advance.**

DW does not permit Clients to pay any fees in advance.

**(E) Supervised Person Accepts Compensation for the Sale of Securities or Other Investment Products.**

Neither the Firm nor any of its principals or employees receive any transaction-based compensation for the sale of securities or other investment products.

**Item 6. Performance-Based Fees and Side-By-Side Management**

As set forth in Item 5, DW is entitled to receive Incentive Compensation based upon a percentage of each Client's profits. Incentive Compensation creates certain conflicts of interest with respect to DW's management of assets. As a fiduciary, DW acts in the best interests of each of its Clients and has policies and procedures designed to identify and mitigate actual and potential conflicts of interest.

- Investment Allocation: DW's fee schedule varies among the Clients, which can incentivize DW to allocate investment opportunities having the highest potential for profit to the Clients that are paying the highest rates of Incentive Compensation. DW addresses this conflict by adhering to its trade allocation policy, which sets forth objective factors for determining the allocation of investment opportunities among Clients. The trade allocation process is overseen by DW's Chief Compliance Officer ("CCO") and Chief Operating Officer ("COO").
- Investment Risk: DW's ability to earn Incentive Compensation can incentivize DW to accept investment risk that it would not otherwise accept. To address this conflict, DW's risk committee convenes on a monthly basis to review various risk metrics associated with Client portfolios. Additionally, employee investments in the DW Funds align the interests of employees with those of investors.<sup>1</sup>
- Valuation: DW's ability to earn Incentive Compensation can incentivize DW to overstate the value of investments in Client portfolios, especially private investments for which third-party pricing information is not readily available and other manager-marked investments. To address this

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<sup>1</sup> Some DW employees invest in the DW Funds, and DW invests employee deferred compensation awards in certain of the DW Funds. As noted above, DW personnel are not charged Incentive Compensation on their DW Fund investments or their deferred compensation awards that are invested in the DW Funds.

conflict, DW's Valuation Committee, which includes DW's CCO and COO, convenes on a monthly basis to review and approve portfolio pricing.

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

DW provides investment advice to the private investment funds and separately managed accounts described in Item 4(A).

The minimum initial investment amount for Domain Offshore and DW 80S is \$5,000,000. The minimum initial investment amount for DW CMBS is \$50,000,000. The minimum initial investment amount for Domain Metric, DW RMBS and DW Recovery is \$1,000,000. DW may, in its discretion, accept lesser amounts for any investment in DW RMBS, DW Recovery, DW CMBS, Domain Offshore, or Domain Metric.

The minimum initial investment amount for all other Clients is negotiated between DW and the Client.

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

##### **(A) Generally.**

DW employs a combination of credit and real estate investment strategies on behalf of the Clients. Depending on Client goals and objectives, DW seeks outright and relative price appreciation of its investments and/or a high expected yield return. While DW trades heavily in U.S. markets, DW may also trade globally, typically concentrating in developed markets.

In selecting investments for its Clients, DW conducts fundamental and broad technical analyses of the credit markets. DW attempts to achieve its Clients' investment goals by identifying catalysts that it believes will result in price appreciation over a foreseeable time period, such as corporate events, defaults, mortgage cash flows, prepayments, losses, etc. DW engages in macro analysis of the credit markets as a whole, relative value analysis comparing instruments to one another, and micro analysis of individual companies and securities.

All investments involve a risk of loss that the Clients and their underlying investors must be prepared to bear. DW purchases many bonds at substantial discounts to par value. These bonds trade at discounts because there is great uncertainty as to both if and when principal will be repaid to the bondholder. In many cases, DW does not expect the bonds it purchases on behalf of the Clients to return 100% of principal. DW uses credit default swaps, both as hedges and to express outright views on various markets. Credit default swaps, however, can be highly volatile, incorporate leverage, and expose investors to a high risk of loss, including, without limitation, market risk, liquidity risk, and the risk of non-performance by the counterparty due to its financial soundness, creditworthiness, or legal or operational issues. DW may also purchase and sell equity securities, convertible securities, futures, and options, none of which are without risk. Generally, the value of equities and equity derivatives will vary with the performance of the issuer and movements in the overall equity markets. Trade claims, money owed by a company to a supplier of goods and services, may not have any maturity date, may be secured or unsecured, and payment is subject to the risk of loss in case of default or insolvency of the borrower. Convertible securities are subject to higher interest rates. Futures contracts may be influenced by a broad variety of market, economic and issuer-specific events and risks, many of which may be difficult to predict or assess. Finally, options may be highly volatile and result in loss of the premium paid for the option.

##### **(B) Risks.**

DW integrates risk management into its portfolio construction and investment selection processes. Strategy allocations are determined in part based on criteria such as perceived risk and return potential of investments, diversification, correlation, and liquidity. Risk management tools are applied at the individual



position and portfolio level based on position size, estimated potential loss, correlation to other portfolio positions and to broader markets, expected holding period, liquidity profile, and issuer/sector/geographic exposures, etc. DW pays careful attention to the risk of loss and attempts to moderate these risks. However, DW is unable to assure Clients that its investment and trading activities will not cause Clients to suffer losses.

The following discussion of risks is not meant to be exhaustive, but rather highlights some of the more significant risks associated with DW's investment strategies. Please refer to the relevant DW Fund's offering memorandum, as applicable, for a detailed discussion of the risks associated with an investment.

*Investment Judgment and Market Risk:* The success of DW's investment programs depends, in large part, on correctly assessing future price movements. DW's investment process integrates risk management closely with portfolio construction and investment selection. DW bases strategy allocations on criteria such as perceived risk and return potential, diversification, correlation, and liquidity. DW employs risk management tools at the individual position and portfolio levels based on principals such as position size, estimated potential loss, correlation to other portfolio positions and to broader markets, expected holding period, liquidity profile, and issuer/sector/geographic exposures, etc. DW cannot guarantee that it will be able to accurately predict price movements or the success of its investment or risk management programs. Investments in securities and other financial instruments involve a degree of risk and the entire investment may be lost.

*Trading Risk:* The use of derivatives, leverage, short sales and options can, in certain circumstances, substantially exacerbate the impact of unfavorable price movements on DW's investments. Short sales may have unlimited downside. Also, changes in the prevailing interest rates may negatively affect results.

*Financial Markets and Regulatory Change:* Global financial market instability has heightened the risks associated with hedge fund investment activities and operations, including risks resulting from a reduction in the availability of credit, a decrease in market liquidity and an increased risk of bankruptcy of third parties with which DW transacts. Over recent years, market disruptions and the increase in capital allocation to alternative investment vehicles have led to increased government scrutiny, intervention and regulation in the asset management industry. Additionally, the laws and regulations affecting the asset management industry continue to evolve unpredictably. Laws and regulations applicable to DW and its Clients, especially those involving taxation, investment, and trading, can change quickly and unpredictably in a manner adverse to DW and/or its Clients' interests. It is possible that the global financial markets may undergo further fundamental disruptions in the future, which could result in renewed intervention and increased regulation of the financial markets.

*Cybersecurity:* A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of DW's information systems. These incidents may be an intentional attack or an unintentional event, and they could involve gaining unauthorized access to information systems for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. As part of its business, DW stores and transmits large amounts of electronic information, including information relating to Client transactions and personally identifiable information of the underlying Client investors. Similarly, DW's service providers may process, store and transmit such information. DW has procedures and systems in place that it believes are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties may be susceptible to compromise, leading to a breach of DW's network. DW's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. Online services provided to investors may also be susceptible to compromise. Breach of DW's information

systems may cause information relating to Client transactions or personally identifiable information of investors to be lost or improperly accessed, used or disclosed. DW's service providers are subject to the same electronic information security threats as DW. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to Client transactions and/or personally identifiable information of investors may be lost or improperly accessed, used or disclosed. The loss or improper access, use, or disclosure of DW's proprietary information may cause, among other things, financial loss, the disruption of business, liability to third-parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on DW and/or its Clients.

*Allocation of Investments:* DW strives to allocate investment opportunities among Clients in a manner that is fair and equitable. It has established written policies and procedures to guide the determination of such allocations and prevent DW from allocating investment opportunities to Clients in a self-interested manner. There can be no assurance that DW's allocation policies will result in the allocation of a specific investment opportunity to all Clients or that a Client will participate in all investment opportunities falling within its investment objectives.

*Specific Investments:* DW will allocate specific investments among the participating Clients in a manner which it considers to be fair and efficient under the circumstances and in accordance with its written allocation policies. DW may, in its sole and absolute discretion, periodically rebalance the interests of the participating feeder funds in any specific investments if it determines that it would be appropriate to do so. Note that any such rebalancing could result in adverse tax consequences for investors. It is important to note that as a result of specific investments, as well as other factors including use of cash, different allocation proportions among the feeder funds, tax, regulatory and/or other reasons, the investment results of the master funds, the onshore feeder funds and the offshore feeder funds will differ.

*Catalyst-Driven Investing:* Catalyst-driven investing involves buying or selling securities of companies that are going through, or are expected to go through, substantial changes. Certain of the companies in which DW invests are in transition, out of favor, financially leveraged or troubled, or potentially troubled, and may be or have recently been involved in major strategic actions (for example, a merger or a tender offer), restructurings, bankruptcy, or reorganization. Consequently, their securities are likely to be particularly risky investments. The ability of these companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry, or specific developments within the companies. Catalyst-driven investing requires making predictions about the likelihood that an event will occur and the impact such event will have on the value of a company's securities. If the event fails to occur or its effect was not foreseen, losses can result. For example, a company's adoption of new business strategies, completion of asset dispositions or debt reduction programs may not be valued as highly by the market as anticipated, resulting in losses. In addition, a company may announce a plan of restructuring which promises to enhance value and fail to implement it, which would also result in losses to investors. In liquidations and other forms of corporate reorganizations, the risk exists that the reorganization would be unsuccessful, delayed, or result in a distribution of cash or a new security, the value of which would be less than what DW originally paid for it. The inherently speculative nature of catalyst-driven investing leads to fluctuating investment results from one period to the next. Accordingly, the results of a particular period will not necessarily be indicative of results that DW expects to obtain in future periods.

*Corporate Bonds:* DW invests in corporate bonds and their derivatives. Corporate bonds generally provide periodic interest payments and the eventual return of the principal at the end of the term. The values of corporate bonds and their derivatives, like other credit-based securities, change in response to interest rate fluctuations and the market's perception of an issuer's ability to satisfy its debt obligations. Corporate bonds are also subject to the risk that the issuer may be unable to make interest or principal payments on its obligations. DW invests in corporate bonds with investment grade ratings and with below-investment

grade ratings, as well as “distressed” corporate bonds and bonds of companies emerging from restructuring, all of which are discussed in greater detail below.

*Credit Default Swaps:* Credit default swaps are a component of DW’s investment strategy. A credit default swap is a contract between two parties under which they agree to isolate and separately trade the credit risk of at least one third-party entity. The buyer of a credit default swap receives credit protection, and the seller of the swap guarantees the creditworthiness of the third-party entity. DW may enter into credit default swaps with respect to corporate debt, mortgage-backed securities, asset-backed securities or indices referencing portfolios of these securities. The market for credit default swaps is unregulated, and contracts may be frequently traded so that the identities of the ultimate obligors are not clear. It is also possible that the counterparty may not have the financial strength to abide by the contract’s provisions. Many credit default swap transactions are leveraged, and a widespread downturn in the market could prevent risk-buyers from paying their obligations and lead to widespread defaults.

*High Yield, Low-Rated or Unrated Securities:* Debt securities (including bonds) in which DW invests on behalf of the Clients may or may not be rated by credit rating agencies. If they are rated, their ratings range from the very highest to the very lowest. Bonds with ratings below investment grade are sometimes colloquially called junk bonds. Securities rated below investment grade can provide a yield that is significantly higher than that of investment grade securities, but they are quite speculative. Lower-rated instruments include debt securities that are in default and debt securities of insolvent issuers. The rating that a credit rating agency assigns to a security does not reflect an assessment of the volatility of the security’s market value or the liquidity of an investment in the security. The values of lower-rated securities (including unrated securities of comparable quality) generally fluctuate more than those of higher-rated securities because investors generally believe that there are greater risks associated with them. In addition, the lower rating reflects a greater possibility that the financial condition of the issuer, adverse changes in general economic conditions, or an unanticipated rise in interest rates may impair the ability of the issuer to make payments of principal and interest. These factors make the values of below investment-grade securities more volatile and could limit DW’s ability to sell the securities at prices approximating DW’s internal valuation of them. In general, the market for lower-rated or unrated securities is smaller and less active than that for higher-rated securities, which can adversely affect DW’s ability to sell these securities at favorable prices. In addition, the market prices of lower-rated securities are likely to be more volatile because: (1) an economic downturn or increased interest rates may have a more significant effect on the yield, price and potential for default; (2) past legislation has limited (and future legislation may further limit) investment by certain institutions in lower-rated securities or the tax deductibility of the interest by the issuer, which may adversely affect the value of the securities; and (3) it may be difficult to obtain information about financially or operationally troubled issuers. DW will not necessarily dispose of a security when its rating is reduced below its rating at the time of purchase.

*Distressed Debt and Securities:* Distressed debt refers to bonds and other forms of securities issued by a company that is undergoing bankruptcy or reorganization or is likely to do so in the near future. As discussed above, distressed bonds will often have low ratings. The debt securities of distressed corporations are sometimes overly discounted by the market, as risk adverse investors tend to sell securities due to an actual or potential bankruptcy filing. These situations can create attractive buying opportunities for investors specializing in valuing distressed securities. DW purchases these instruments on behalf of its Clients with the anticipation that the company will emerge from its financial difficulties and become profitable again. In the interim, the purchase of the equity or debt may allow the shareholders or bondholders to participate actively in the process of reorganizing the company as it attempts to position itself for a return to profitability. The risk of investing in distressed debt and securities is that the subject company’s projected performance never takes place. When this is the case, the securities that DW buys on behalf of its Clients may become worth less than the amount initially paid for them, resulting in a loss. In addition, when investing in distressed debt, the amount and timing of payments, if any, by the debtor can be uncertain. Receiving late or incomplete loan payments can adversely affect Client returns. DW may participate more actively in the affairs of a distressed issuer than is typical of investors. A heightened level

of involvement may make DW or its Clients more vulnerable to litigation risks or prevent them from being able to sell their securities at certain times.

*Post-Reorganization Securities:* Investing in securities issued by companies that have just experienced a reorganization may entail a higher degree of risk than investing in securities of companies that have not undergone a reorganization or restructuring. Specifically, post-reorganization securities may be subject to heavy selling and/or downward pricing pressure after completing a reorganization or restructuring. If DW's expected outcome of a reorganization or restructuring proves incorrect, the Clients can experience losses.

*Collateralized Debt Obligations:* Generally, collateralized debt obligations ("CDOs") are limited recourse obligations of the CDO issuer linked to the performance of an underlying pool of debt instruments held as collateral by the CDO issuer. CDO pools are split into different risk classes, or tranches, with senior tranches being the least risky and junior tranches being the most risky. Interest and principal payments are made in order of seniority, so that junior tranches cost less and get paid more to compensate for additional risk. DW may invest in CDOs backed by a pool of debt instruments and derivatives on debt instruments and may also trade in a wide range of other CDO products, including, without limitation, high yield CDOs, CDOs of CDOs and CDOs of asset-backed securities. CDO security holders only receive payment when the underlying borrowers make payments; otherwise the holders have no other recourse against the pool. Consequently, if distributions or proceeds from the collateral are insufficient to make such payment, no other assets will be available for the payment of such deficiency. CDOs often consist of concentrated portfolios of assets. The concentration of collateral in any one obligor will subject the Clients to a greater degree of risk with respect to the default of such obligor, and the concentration of collateral in any one industry or geographic region will subject Clients to a greater degree of risk with respect to economic downturns relating to such industry or region. The value of CDOs generally fluctuates with, among other things, the financial condition of the borrowers of the underlying assets, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry, and changes in interest rates. Finally, the underlying obligations that form CDOs are often given poor ratings by credit rating agencies. The lower ratings, as previously explained, reflect a greater possibility that adverse changes in an obligor's financial condition and/or in general economic conditions could affect the obligor's ability to make payments of principal or interest.

*Bank and Participation Loans:* DW may invest in bank loans and participation loans on behalf of its Clients. Participation loans are large loans made by multiple lenders to a single borrower. These positions may be illiquid and difficult to value. In addition, DW may come into possession of material non-public information relating to the borrower, which would prevent the Clients from trading in any of the borrower's securities. When investing in loans, there is always a risk that the borrower may default, but investing in these loans involves additional unique risks such as: (1) lender-liability claims, which are claims under which borrowers allege that their lenders are not treating them fairly; (2) environmental liabilities that may arise with respect to collateral securing the loans; (3) limitations on Clients' abilities to enforce their rights with respect to participation loans; and (4) the possible invalidation of an investment transaction as a fraudulent conveyance to defer, hinder or defraud creditors under creditors' rights laws. The Clients will generally bear the costs of successful claims by third parties that arise from these and other risks. Because of the private syndication of loans and the unique and customized nature of loan agreements and the confidential information about the borrower that they contain, loans are not as easily purchased or sold as publicly traded securities. However, as the secondary market for loans continues to grow, new loans are increasingly adopting standardized documentation to facilitate trading. This may improve loan market liquidity. Nevertheless, there can be no assurance that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue.

*Convertible Bonds:* Convertible bonds are bonds that can be converted into or exchanged for a specified amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. The holder of a convertible bond typically receives interest or a dividend until the security matures or is converted or exchanged. Convertible bonds are unique in that they generally: (1) have

higher yields than common stocks, but lower yields than comparable non-convertible securities; (2) are less subject to fluctuation in value than the underlying security due to their fixed-income characteristics; and (3) provide potential for capital appreciation if the market price of the underlying security increases. The value of a convertible security is a function of its "investment value" and its "conversion" value. A convertible security's investment value is determined by its yield in comparison to yields of other securities of comparable maturity and quality that do not have a conversion privilege. Changes in interest rates influence a convertible security's investment value. Investment values decline as interest rates increase and vice versa. The issuer's credit standing and other factors may also affect the convertible security's investment value. A convertible security's conversion value is determined by the market price of the underlying security. If the conversion value is low relative to the investment value, then the investment value principally governs the price of the convertible security. As the market price of the underlying security approaches or exceeds the conversion price, the conversion value will increasingly influence the price of the convertible security. Convertible securities may be convertible only upon the occurrence of certain contingencies. If the contingencies fail to occur, it could adversely affect DW's ability to achieve its investment objective. Convertible bonds may be subject to redemption at the issuer's option. If a Client account holds a convertible bond that its issuer redeems, it could adversely affect DW's ability to achieve its investment objectives on behalf of the Clients.

*Investing in Loans Generally:* When investing in any type of loan, there is always the risk that a borrower made a material misrepresentation or omission in the process of obtaining the loan. This inaccuracy or incompleteness can adversely affect the valuation of the collateral underlying the loan and/or DW's ability to perfect or effectuate a lien on the collateral securing the loan.

*Residential Mortgage-Backed Securities:* Residential mortgage-backed securities are interests in packages of mortgage loans backed by residential property. Holders of residential mortgage-backed securities bear various risks, including credit, market, interest rate, structural and legal risks. Residential mortgage loans are the borrowers' obligations only and are not typically insured or guaranteed by any other person or entity. The rate of default and losses on residential mortgage loans is affected by a number of factors, namely general economic conditions and economic conditions in the area in which the property is located, the borrower's equity in the mortgaged property, and the borrower's financial circumstances. If a residential mortgage loan defaults, foreclosure may be a lengthy, difficult and expensive process. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be quite limited. At any one time, a portfolio of residential mortgage-backed securities may be backed by loans with disproportionately large principal amounts secured by properties in only a few states or regions. As a result, these loans may be more susceptible to geographic risks – such as adverse economic conditions, adverse events affecting local industries, and natural hazards – than would be the case for a package of mortgage loans having more diverse property locations.

*Commercial Mortgage-Backed Securities:* Commercial mortgage-backed securities are interests in packages of mortgage loans that are backed by commercial property, such as apartments or retail shops. Typically, mortgage loans on commercial properties are structured so that a substantial portion of the loan principal is payable at maturity rather than during the course of the loan term. Thus, repayment of the loan principal often depends on the future availability of financing and/or the asset's future value and ability to be sold. If real estate financing is unavailable at that time or borrowers are unwilling to refinance or dispose of encumbered property to pay off the loans, the loans may default. Most commercial mortgage loans underlying mortgage-backed securities are non-recourse obligations, which means that there is no recourse against the borrower's assets other than confiscating and selling the property in foreclosure. Foreclosure can be costly and delayed by litigation or bankruptcy. Factors such as the property's location, the legal status of title to the property, the property's physical condition and financial performance, environmental risks, and governmental disclosure requirements with respect to the property's condition may reduce the likelihood that a third party will purchase the property at a foreclosure sale or pay a price sufficient to satisfy all of the borrower's obligations. In addition, the borrower may retain revenues from the underlying

property or use the revenues to pay others. Generally, diverted revenue cannot be recovered without a court-appointed receiver to control cash flow related to the property.

*Asset-Backed Securities:* Asset-backed securities are securities backed by assets other than mortgages or other mortgage-related assets. Credit card receivables, automobile and recreational vehicle loans, student loans, equipment leases, commercial and industrial bank loans, home equity loans and lines of credit, manufactured housing loans, royalty streams and various types of accounts receivable commonly support asset-backed securities. Asset-backed securities present certain risks that are not presented by mortgage-backed securities. Primarily, asset-backed securities do not have the benefit of the same security interest in the related collateral. The risk of investing in asset-backed securities is ultimately dependent upon payment of consumer loans by the debtor. Credit card receivables, for example, are generally unsecured and credit card debtors are entitled to the protection of a number of state and federal consumer loan laws, many of which give debtors the right to set off certain amounts owed on the credit cards, reducing their balance due. Additionally, the collateral supporting asset-backed securities is usually of shorter maturity than mortgage loans and is less likely to experience substantial prepayments. The value of an asset-backed security is affected by changes in the market's perception of the assets backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

*Leverage/Borrowing:* DW may borrow against the assets of its Clients when DW believes that the proceeds from doing so will exceed the interest paid on the borrowing. Borrowing involves risk to the Clients because the interest on the borrowed amount may be greater than the income from or increase in the value of the investments purchased with the borrowed amount. Also, the value of the investments purchased with the borrowed amount can decline below the amount borrowed. Ultimately, to the extent DW employs leverage, its Clients' assets will increase or decrease at a greater rate than if DW did not utilize borrowed money, thereby creating a risk of significant loss.

*Margin Transactions:* Sometimes DW engages in margin transactions on behalf of its Clients in order to increase their buying power. Trading on margin is a form of leverage in which the Clients borrow from a broker to purchase more securities than they otherwise would be able to with their initial cash investment. The securities purchased on margin serve as collateral for the broker's loan. Trading on margin is risky because, while it can increase gains, it can also amplify losses and cause a Client to lose more than its initial investment. DW may employ short-term margin borrowing, which can be especially risky. For example, should the collateralized securities decline in value, a Client could be subject to a margin call, under which it must either deposit additional funds or securities with the broker or sell all or a portion of the pledged securities to compensate for the decline in value. If the value of a Client's assets suddenly drops, DW might not be able to liquidate the Client's assets quickly enough to satisfy its margin requirements.

*Hedging Transactions:* DW often engages in hedging transactions on behalf of the Clients. Hedging techniques aim to reduce a portfolio's vulnerability to various risks by making trades intended to offset those risks. For instance, if DW buys stock in a company, DW may also short the stock of a competitor company. DW may hedge with instruments including, but not limited to, options, futures contracts, forward contracts, swaps, and currencies. It may also engage in short selling, as described below. Hedging against a decline in the value of certain portfolio positions does not eliminate fluctuations in the value of such positions or prevent losses if the values of such positions decline, but rather establishes other positions designed to gain from those same developments, thereby moderating the decline in the portfolio's value. On the other hand, hedging transactions also limit the opportunity for gain if the value of the portfolio position should increase. The success of a Client's hedging strategy is subject to DW's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. DW may not anticipate all risks, it

may choose not to hedge against certain risks, it may not choose the right variable to hedge against, and certain risks cannot be hedged.

*Futures:* A future, also known as a futures contract, is a contractual agreement to buy or sell a particular commodity or financial instrument at a pre-determined price in the future. DW may also purchase and sell futures contracts based on major stock indices, such as the S&P 500. A stock index fluctuates with changes in the market values of the stocks included in the index. Accordingly, the success of futures on stock indices is subject to DW's ability to correctly predict movements in the direction of the stock market generally or of a particular industry or market segment. At times, futures may be illiquid because certain commodity exchanges limit fluctuations in particular futures contract prices during a single day. Once the price of a futures contract has increased or decreased by an amount equal to the daily limit, that contract cannot be traded unless traders are willing to trade it within that limit. This could prevent DW from promptly selling unfavorable contracts and thus would subject the Clients to substantial losses. An exchange or the CFTC may suspend trading or order immediate liquidation or settlement in a particular contract. This could also prevent DW from promptly selling unfavorable contracts.

*Forwards:* A forward, or a forward contract, is a contract between two parties to buy or sell an asset on a specified future date at a price agreed upon at the time the contract is made. It is very similar to a futures contract, except forward contracts are negotiated privately and are not traded on an exchange, and thus are not subject to limitations on daily price moves. The secondary market for forwards is limited, so they may be difficult to sell should they become unfavorable for DW's Clients.

*Options:* DW buys and sells traditional equity stock options on behalf of its Clients and may also buy and sell options on any of the instruments described in this section. There are certain risks associated with the sale and purchase of options. DW may, on behalf of its Clients, invest in call and/or put options. Call options are the right to buy a security at a certain price within a defined time period. Put options are the right to sell a security at a certain price within a defined time period. A buyer of either type of option assumes the risk of losing its entire investment in the option. A buyer of a call option risks losing its investment if the particular security does not reach the designated price plus the cost of the option within the set time period. A buyer of a put option risks losing its investment if the particular security does not decline enough to reach the designated price less the cost of the option within the set time period. A writer of a put option risks significant loss as the value of the particular security declines, and a writer of a call option risks unlimited loss as the value of the particular security increases. DW may trade options over-the-counter instead of on an exchange. The risk of nonperformance by opposing parties on over-the-counter options is typically greater than the risk of nonperformance on exchange-traded options. Also, options traded over-the-counter are not subject to the same level of government regulation as are exchange-traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with over-the-counter transactions.

*Interest Rate Swaps:* An interest rate swap is a bilateral contract under which the parties exchange interest rates on a principal amount. The principal amount is never exchanged but is used to calculate each party's interest payments. For example, A pays B a fixed rate of interest on the principal and B pays A a variable rate of interest on the principal. There is always the risk that interest rates will move in an unanticipated direction, which could result in losses to DW's Clients. The risk also exists that the other party will default and be unable to complete the contract, which would also result in losses.

*Equity Securities:* DW may buy equity securities, seeking to profit from both security selection and thematic sector or market timing decisions. The value of these investments will generally vary with the issuer's performance and movements in the equity markets. Consequently, DW's Clients may suffer losses if they purchase equity instruments of issuers whose performance diverges from expectations or if equity markets generally move in a downward direction and DW has not successfully hedged against such a move.

*Real Estate and Real Estate Related Investments:* The Clients acquire interests in real estate, directly or indirectly through real estate related assets and securities. The Clients will often invest in a real estate asset on a passive basis, giving a third-party operating partner and/or property manager a large degree of authority and responsibility for daily management of the assets. The Clients may also invest a portion of their assets in a concentrated portfolio of real estate securities. The Clients will in large part be dependent on the ability of third parties to successfully operate the underlying real estate assets. Risks associated with real estate and real estate related investments include, without limitation, (i) lack of demand for commercial or housing space in a locale, (ii) changes in general economic or local conditions, (iii) changes in supply of, or demand for, similar or competing properties in an area, (iv) uncertainty of cash flow to meet loan and other fixed obligations, (v) changes in interest rates, (vi) unavailability of mortgage financing which may render the sale or refinancing of property difficult, (vii) changes in tax, real estate, environmental, and zoning laws and other governmental rules and fiscal policies, (viii) operating problems related to the presence of certain construction materials, (ix) uninsurable losses, and (x) other factors which are beyond DW's control. Additionally, in connection with the ownership (direct or indirect) of real properties, the Clients or entities in which they invest may face potential costs and liabilities related to environmental laws, such as those related to the removal of hazardous and toxic substances.

*Loan Origination:* The Clients participate in the structuring and origination of loans. From time to time, DW offers participations in and/or assignments or sales of loans (or interests therein) that it has originated or purchased on behalf of a Client to other DW Clients or non-affiliated entities. In determining the target amount to allocate to a particular loan origination, DW will take into consideration the fact that it anticipates selling, assigning or offering participations in such investment to third parties as described above. If DW is not successful in offering such participations, assignments or sales to third parties, the originating Client will be forced to hold such excess until such time as it can be disposed. This may result in a Client being overweighted with respect to a particular loan.

*Homebuilder Finance:* In connection with DW's homebuilder finance strategy, an affiliate of DW will enter into "debt-like" horizontal finance arrangements in which it will purchase unfinished land parcels from a homebuilder (or third party identified by the homebuilder) and provide the homebuilder an option to purchase back finished land parcels on a periodic basis at fixed prices. Such affiliate will also engage the homebuilder to make agreed horizontal (streets, utilities, etc.) improvements to the unfinished land parcels and will fund the costs of such improvements. Horizontal finance arrangements will subject the Clients to the risks inherent in the construction, ownership and operation of real estate. The option contracts will not create a contractual obligation requiring the homebuilder to purchase back any or all of the finished land parcels, and the homebuilder will be free to decline to purchase the land parcels or terminate the option contract at any time. In such case, DW may not be able to resell the land parcels at attractive prices, which could cause the Clients to incur substantial losses, including the loss of the purchase price and funded construction costs. Furthermore, any failure by a homebuilder to meet its obligations to pay property-related expenses could cause the Clients to incur substantial losses.

The success of the strategy depends upon DW's ability to identify reputable and creditworthy homebuilders and to acquire attractive land parcels for development of projects at reasonable prices and with terms that meet the DW's underwriting criteria. DW's ability to acquire land parcels for new projects may be adversely affected by changes in the general availability of land parcels, the willingness of land sellers to sell land parcels at reasonable prices, competition for available land parcels, availability of financing to acquire land parcels, zoning and other market conditions. Additionally, the homebuilding industry depends on the ability of homebuyers to obtain financing for the purchase of their homes. Tightened credit requirements and an increase in indemnity claims for mortgages make it more difficult for a borrower to finance the purchase of a new home. If potential homebuyers cannot obtain suitable financing, homebuilders may not be able to resell land parcels and/or homes at attractive prices, or homebuilders may decline to purchase land parcels or may terminate option contracts in connection with existing horizontal finance arrangements, each of which could cause the Clients to incur substantial losses.



Senior Loans: The Clients may invest directly in companies by means of senior loans. Senior loans are generally incurred by the obligors thereunder in connection with highly leveraged transactions, often to finance internal growth, acquisitions, mergers and/or stock purchases. The obligor under a leveraged loan often provides the lenders thereunder with extensive information about its business, which is not generally available to the public. Because of the provision of such confidential information, the unique and customized nature of a loan agreement, and the private syndication of the loan, leveraged loans are generally not as easily resold as publicly traded securities, and historically the trading volume in the loan market has been small relative to, for example, the high yield bond market. In addition, the unique nature of the loan documentation may involve a degree of complexity in negotiating a secondary market purchase or sale which may not exist, for example, in the bond market. There can be no assurance that future levels of supply and demand in loan trading will provide a sufficient degree of liquidity in the market. Although any particular senior loan often will share features with other loans and obligations of its type, its actual terms will have been a matter of negotiation and will thus be unique. Any particular loan or obligation may contain terms that are not standard and that provide less protection to creditors than might be expected, including in respect of covenants, events of default, security or guarantees. Ultimate recovery rates for such loans are difficult to predict and no assurance can be given as to the levels of default and/or recoveries that may apply to any senior loans purchased by the Clients. Recoveries on senior loans will be affected by the particular circumstance of the borrower and its owners and creditors, its assets and other factors and may also be affected by the different bankruptcy regimes applicable in different jurisdictions and the enforceability of claims against obligors thereunder.

Mezzanine Loans: The Clients may invest in mezzanine loans, which are loans secured by one or more direct or indirect ownership interests in a company, partnership or other entity owning, operating or controlling, directly or through subsidiaries or affiliates, one or more underlying assets. Mezzanine loans are not secured by a lien on the underlying real asset(s) and are thus structurally subordinate to creditors that are so secured and to general creditors of the borrower entity, if any. Repayment of a mezzanine loan is dependent on the successful operation of the underlying asset(s) and, therefore, is subject to similar considerations and risks. In certain cases, the ownership interests securing the mezzanine loans acquired in the future may represent only partial interests in the relevant entity and may not control that entity or the underlying asset(s) and may limit the ability of the holder of such mezzanine loan to fully realize on such ownership interests. Mezzanine loans may also involve certain additional considerations and risks. For example, the terms of mezzanine loans may restrict transfer of the interests securing such loans (including an involuntary transfer upon foreclosure) or may require the consent of the senior lender or other members or partners of or equity holders in the related company or may otherwise prohibit a change of control of the related company. Those and other limitations on realization on the underlying asset(s) or the practical limitations on the availability and effectiveness of such a remedy may affect the likelihood of repayment in the event of a default.

Short Selling: DW sells securities short on behalf of the Clients. Short selling involves trading on margin and accordingly can involve greater risk than investments based on a long position. Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. There can be no guarantee that securities necessary to cover a short position will be available for purchase. Purchasing securities to close out a short position can itself cause the price of the relevant securities to rise further, thereby exacerbating the loss. In addition, if a sufficient number of market participants have entered into a short position, the short position may not react in the same way as a security would with no or limited short interest. In the event of a market downturn, the short position may therefore not provide the investment return that DW expected. There is also a risk that the securities borrowed in connection with a short sale must be returned to the lender of such securities on short notice. If a request for the return of borrowed securities occurs at a time when other short sellers of the securities are receiving similar requests, a short squeeze can occur, and it may be necessary to replace borrowed securities previously sold short with purchases on the open market at a disadvantageous time, possibly at prices significantly in excess of the proceeds received from originally

selling the securities short. Although DW may utilize short selling as a hedging technique, short selling may also be used for speculative purposes.

*Global Securities:* DW makes investments outside of the United States on behalf of the Clients. Global investing involves certain risk factors not typically associated with domestic investing, such as fluctuation between exchange rates and currency conversion costs. DW's investment theses may be successful in the relevant local currency, yet its Clients may nevertheless suffer losses in terms of U.S. dollars if currencies move in ways that DW does not anticipate. In addition, there may be less information available regarding global investments because companies and governments in other countries are subject to different standards of accounting, auditing and financial reporting than companies and governments in the U.S. There also might be a greater risk of political, social or economic instability and the possibility that withholding or other taxes may be imposed on Client income. DW also has less familiarity with legal systems in other countries.

*Emerging Markets:* Investing in emerging markets involves a greater degree of risk than investing in developed countries. Among other things, emerging market investments may carry the risks of less publicly available information, more volatile markets, less strict securities market regulation, less favorable tax provisions, legal limits on foreign investment, inexperienced financial intermediaries, a lack of modern technology, a greater likelihood of severe inflation, the possibility of temporary or permanent termination of trading, unstable or not freely convertible currency, war, corruption, expropriation of personal property and general social, political and economic instability.

*Currencies:* DW may, on behalf of its Clients, enter into transactions to purchase or sell one or more currencies to hedge currency exposure created by other investment activities. Because currency control is of great importance to issuing governments and influences economic planning and policy, purchases and sales of currency and related instruments can be negatively affected by government exchange controls, blockages, and manipulations or exchange restrictions imposed by governments. These can result in losses to the Clients.

*Illiquid Investments:* DW makes investments that are illiquid at the time of purchase or subsequently become illiquid. Illiquid investments are investments that are not heavily traded and cannot easily be converted to cash, including real property investments. If a Client requires cash and needs to sell illiquid investments at an inopportune time, DW might not be able to sell such investments at prices that reflect DW's assessment of their value or the amount paid for them. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses in comparison to the sale of securities eligible for trading on national securities exchanges or in over-the-counter markets.

*Limited Number of Investments:* The Clients may only participate in a limited number of investments. Consequently, the Clients' overall investment performance could be substantially and adversely affected by the unfavorable performance of a single investment.

*Short-Term Debt:* Client assets not being utilized to effectuate the above strategies may be held in custody or placed in money market instruments, such as U.S. treasury bills and short-term certificates of deposit. Money market instruments typically do not carry much risk of loss; however, their potential for gain is negligible in comparison to the strategies discussed above.

*Valuation:* Valuation of illiquid investments is typically model-based, which involves uncertainties and judgmental determinations based on estimates and assumptions. If such valuations should prove to be incorrect, Clients could be adversely affected. Independent pricing information may not at times be available or may be difficult to obtain with respect to certain illiquid investments. Accordingly, certain illiquid investments are subject to varying interpretations of value and, in such cases, the value of an illiquid investment may be determined by, among other things, utilizing mark-to-market prices provided by dealers

and pricing services and, if necessary, through relative value pricing. DW is entitled to rely, without independent investigation, upon pricing information and valuations furnished to it by third parties, including pricing services. Valuations of illiquid investments may not be indicative of what actual fair market value would be in an active, liquid or established market. There is no guarantee that the value attributable to an illiquid investment, as determined by DW, will represent the value that will be realized on the eventual disposition of such an investment.

*Outbreaks of Infectious or Contagious Diseases:* As of March 2020, there is an outbreak of a novel and highly contagious form of coronavirus ("**COVID-19**"), which the World Health Organization has declared to constitute a "Public Health Emergency of International Concern." The outbreak of COVID-19 has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The global impact of the outbreak is rapidly evolving, and many countries have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on transportation, hospitality, tourism, entertainment and other industries. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.

Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof, could have a significant adverse impact on the DW Funds and their investments and could adversely affect the DW Funds' ability to fulfill their investment objectives.

The extent of the impact of any public health emergency on the DW Funds' and their investments' operational and financial performance will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency may materially and adversely impact the value and performance of the DW Funds' investments, the DW Funds' ability to source, manage and divest investments and the DW Funds' ability to achieve their investment objectives, all of which could result in significant losses to the DW Funds. In addition, the operations of the DW Funds, their investments, their general partners (as applicable) and DW may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including their potential adverse impact on the health of any such entity's personnel.

#### **(D) Assessment of Risks.**

DW's investment strategy focuses on utilizing a number of diversified credit instruments. DW encourages its Clients to consider all of the risk factors it has explained, as any investment can be risky and Clients must be prepared to assume any potential loss. Please refer to the relevant DW Fund's offering memorandum, as applicable, for a detailed discussion of the risks associated with an investment.

#### **Item 9. Disciplinary Information**

There are no legal or disciplinary events that DW believes are material to its Clients' or prospective clients' evaluation of its advisory business or the integrity of its management.

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

### **(A) Broker-Dealer.**

Neither DW nor any of its directors, officers or principals are registered as a broker-dealer or a representative of a broker-dealer or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

### **(B) Commodity Pool Operator.**

DW is exempt from registration as a Commodity Pool Operator under CFTC Regulation 4.13(a)(3) and as a Commodity Trading Adviser under CFTC Regulation 4.14(a)(5) .

### **(C) Affiliations and Other Relationships/Arrangements.**

Neither DW nor any of its directors, officers or principals have affiliations with any of the following related persons that are material to DW's advisory business or to the Clients: (1) a broker-dealer, municipal securities dealer or government securities dealer or broker; (2) an investment company or other pooled investment vehicle; (3) another investment adviser or financial planner; (4) a futures commissions merchant, CPO or CTA; (5) a banking or thrift institution; (6) an accountant or accounting firm; (7) a lawyer or law firm; (8) an insurance company or agency; (9) a pension consultant; (10) a real estate broker or dealer; or (11) a sponsor or syndicator of limited partnerships.

As noted in Item 4 above, DW GP, DW Domain GP, and DW CMBS GP serve as the general partners for the DW Funds. Each entity is primarily owned and controlled by David Warren. DW GP, DW Domain GP, DW CMBS GP, and DW II have together with DW filed a single Form ADV in reliance on the SEC's no-action letter issued to the American Bar Association, Business Law Section dated December 8, 2005.

Note that DW employees sometimes serve as officers, advisors, or directors (or in comparable management functions) for portfolio companies in which the Clients invest. DW employees may also serve on creditor committees of companies in which the Clients invest. DW employees do not receive compensation from the relevant companies in connection with these roles. However, DW and its Clients may, under certain circumstances, be prohibited from engaging in transactions with respect to the debt or equity of such companies for a period of time, which can have an adverse effect on the Clients.

Note also that a DW subsidiary (the "Service Agent") provides non-advisory loan administration services to non-advisory clients. These non-advisory clients are co-lenders alongside DW's Clients under certain credit agreements. In these instances, the Service Agent receives compensation from the non-advisory clients under servicing agreements for loan administration. As the Service Agent is a subsidiary of DW, DW expects to indirectly share in fees and other compensation earned by the Service Agent. DW does not believe that any material conflicts of interest exist between DW or the Clients, on the one hand, and the Service Agent, on the other hand, as the Service Agent's activities are in furtherance of DW's advisory objectives with regard to the Clients and no compensation to the Service Agents will be payable by the Funds. Furthermore, the incremental time required to provide the administrative, accounting and other professional services to the Service Agent will be de minimis.

A DW affiliate ("Domain Servicing") provides asset administration services to certain homebuilder finance portfolio companies, which are partially owned by certain advisory Clients. Domain Servicing receives a servicing fee for servicing the homebuilder finance portfolio of assets. Due to the specialized nature of the services required, the Firm believes the Domain Servicing is best positioned to provide higher quality servicing at a lower cost and with greater efficiency than a third party. In making the determination to use Domain Servicing, as opposed to an unrelated servicer, DW is subject to a conflict of interest because DW's owners could financially benefit from the servicing fees paid by the Clients to Domain Servicing. DW may

reimburse advisory Clients (e.g., waive management fees) with respect to certain servicing fees paid to Domain Servicing by the advisory Clients in accordance with the governing documents of the DW Client (e.g., the investment management agreement or limited partnership agreement).

**(D) Selecting Other Investment Advisers.**

DW does not recommend or select other investment advisers for its Clients.

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

**(A) Code of Ethics.**

DW has adopted a Code of Ethics (the "Code") pursuant to Rule 204A-1 of the Investment Advisers Act of 1940. DW's Code is designed to promote compliance with legal and regulatory requirements and ensure that DW and its employees conduct themselves a manner consistent with DW's fiduciary duty to its Clients.

A copy of the Code, and any amendments thereto, is provided to all employees upon hire and annually thereafter. Employees are required to acknowledge in writing that they have received, read, and understand the Code and will abide by it.

The Code governs key areas in which conflicts of interest may arise between DW and/or its employees and the Clients. Such areas include personal trading, insider trading, gifts and entertainment, outside business activities, and political and certain charitable contributions. The Code also describes DW's duty to supervise the actions of its employees, and it requires any person who is concerned about possible violations of federal securities laws, the Code, or DW's compliance manual to report such concerns to DW's General Counsel/CCO or the relevant governmental, regulatory, or self-regulatory organization. Retaliation against any employee or other supervised person who reports such a concern is strictly prohibited.

DW employees must obtain written pre-approval from the CCO or his designee before trading in certain securities for their personal accounts or the accounts of members of their household.<sup>2</sup> DW's CCO may refuse to approve any proposed transaction for any reason, particularly if the transaction may pose a potential or actual conflict of interest with any of the Clients. Generally, DW employees may not effect transactions in securities for their own accounts, or for accounts in which they have an interest or control, if such securities are simultaneously contemplated for purchase or sale for Client accounts or are already held in Client accounts. If DW's CCO decides to approve an employee's personal trade of securities held by the Clients (or securities related to those held by the Clients), then DW's CCO may require that the employee hold the securities for as long as DW's Clients hold the securities. The CCO may also require that an employee unwind his or her personal trades. Finally, if an employee receives approval to trade in the same securities in which DW is investing for its Clients, he or she must trade the securities in the same direction as DW is investing for its Clients and may do so only after its Clients have established their desired positions. Employees may not time their personal trades to precede orders of the same or similar securities that DW is placing for its Clients, nor should their trading activity be so frequent as to conflict with their ability to fulfill their responsibilities. The CCO, in his sole discretion and depending on the facts and circumstances of a given situation, may waive the trading requirements described above. Employees' personal securities holdings and transactions are monitored for compliance with the Code via ComplySci. DW's CCO or his designee monitors employee holdings and transactions to detect abusive behavior. Any personal trading that appears abusive may result in further inquiry by DW's CCO.

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<sup>2</sup> Trade pre-approval is required for instruments currently held by DW Clients as well as with respect to initial public offerings and private placements.

A copy of the Code is available to any Client or prospective Client upon request via:

DW Partners, LP  
Attn: Chief Compliance Officer  
590 Madison Ave, Floor 13  
New York, New York 10022  
Email: [DW.Compliance@DWPartners.com](mailto:DW.Compliance@DWPartners.com)

DW may cross investments and/or cash between Client accounts ("Cross Trade") if such cross is advantageous for each participant. Subject to certain exceptions (for instance, in the context of subscription and redemptions, loan sales and participations, certain debt financing transactions and fund-of-one transfers), the CCO must be notified of any proposed Cross Trades between Client accounts and will provide written approval for each such transaction. The CCO will not approve a proposed Cross Trade unless it is fair and equitable for all Clients involved. The CCO's Cross Trade approvals are retained by DW Compliance. All Cross Trades between Client accounts in exchange-traded instruments will be effected through an unaffiliated broker-dealer or custodian, and DW will instruct the broker-dealer(s) and/or custodian(s) to cross the assets at the midpoint between the current national best bid and offer or closing price on the relevant trading day, as appropriate given available information and the relevant instrument's liquidity. For Cross Trades in manager-marked positions (including private investments), DW will seek independent third-party review of and support for the asset's valuation and will effect the trade within the pricing range that is provided. Any transaction costs will be divided equally between the participants.

## **Item 12. Brokerage Practices**

### **(A) Best Execution.**

DW trades securities in a manner that is fair to each of its Clients and exercises diligence and care throughout the trading process. As part of DW's fiduciary duty to its Clients, DW has an obligation to seek "best execution" for Client trades. Best execution should result in the best qualitative execution, not necessarily the lowest possible commission cost. In selecting broker-dealers and determining the reasonableness of their commissions for Client transactions, DW takes into account factors including, but not limited to:

- Net price to Client;
- Market impact;
- Expertise in particular markets;
- Ideas provided;
- Quality of research;
- Confidentiality of trading activity;
- Willingness and terms to finance;
- Counterparty exposure;
- Financial condition;
- Venues in which a broker-dealer can trade; and
- Execution speed (if relevant).

DW has formed a best execution committee that meets periodically to review execution quality. If DW determines, in good faith, that any broker or dealer charges are reasonable in relation to the value of services that DW and its Clients receive, DW's Clients may pay commissions or other transaction charges that are greater than those charged by another broker or dealer.

**(B) Research and "Soft Dollars."**

A "soft dollar" arrangement is an arrangement in which an investment firm pays higher prices to buy securities from, or accepts lower prices for the sale of securities to, brokerage firms that provide it with investment and research information.

DW does not currently use soft dollars. If DW decides to use soft dollar arrangements in the future, it will do so pursuant to the "safe harbor" provided by Section 28(e) of the Securities Exchange Act of 1934, as amended.

Should DW choose to use soft dollars in the future, it could create a conflict of interest between DW and the Clients. The availability of soft dollar benefits could influence DW's broker selection based on DW's interest in receiving the broker's products and services rather than the Clients' interest in receiving the best possible execution prices. This could cause the Clients to pay higher brokerage fees than they otherwise would. To the extent that DW could acquire these products and services without expending its own resources, the use of soft dollar benefits could increase DW's profitability.

**(C) Capital Introduction Events.**

DW employees occasionally participate in capital introduction events that are hosted by brokerage firms in order to introduce investment advisers to potential investors. Capital introduction events present a conflict of interest with respect to broker selection, as it can be in DW's interest to select brokers based on investor referrals and it is in the Clients' interest to select brokers based on the most favorable execution parameters. No compensation is paid by DW or the Clients in order to participate in capital introduction events or in connection with investors introduced to the Firm during such events. DW does not commit to allocating a particular amount of business to any broker based on participation in capital introduction events.

**(D) Trade Aggregation and Allocation.**

DW often makes investments that are appropriate for more than one of its Clients. In such circumstances, DW may execute an aggregate trade, which DW allocates to Client accounts in a fair manner in accordance with its written trade allocation policy. The specific allocation varies by instrument or deal type. Inputs may include any of the following, as appropriate: strategy-level allocations set by the CIO, the current size of each Client, known upcoming redemptions or other liquidity needs for each Client, current strategy exposure and capacity, and if applicable, individual position limits.

Ultimately, Clients may benefit when DW aggregates trades if DW receives volume discounts on execution costs. To avoid disadvantages to any Clients due to potential adverse price movements and optimize transaction pricing, it is DW's policy not to buy or sell the same securities for one Client account before doing so for another, unless doing so is necessary because of disproportionate withdrawals from or influxes of capital into a particular Client account.

**(E) Trade Errors.**

DW has processes in place that are designed to minimize mistakes made in executing trades. However, trade errors do occur from time to time and may result in Client losses. If DW makes an error while placing a trade for a Client, it will seek to correct the error promptly in a manner that mitigates any losses. The Clients will retain any gains associated with a trade error. The costs associated with trade errors that result in an aggregate loss of less than \$10,000 across Client accounts will be borne by the relevant Client(s). Costs associated with trade errors that are \$10,000 or more will be borne by the relevant Client(s) *unless* such error is the result of gross negligence, willful misconduct, or fraud by DW, in which case DW will bear the cost of the error. DW's Trade Error Review Committee is responsible for determining if DW has satisfied

its standard of care with respect to trade errors of \$10,000 or more. All trade errors must be reported to the CCO in writing, and documentation regarding all errors will be retained.

DW will not use soft dollars or commitments of future brokerage business to compensate any broker-dealer for absorbing the cost of a trade error. However, to the extent that DW can demonstrate that a broker-dealer was partly or entirely responsible for a trade error, that broker-dealer may be asked to bear part or all of the cost of the error. The CCO will retain documentation showing the broker-dealer's responsibility in the trade error file.

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

As CIO, David Warren regularly reviews Client investments. He receives a daily email describing all trade executions and meets frequently with portfolio managers to discuss individual trades and aggregate investment strategies. He also leads monthly meetings of DW's risk committee. In addition, DW's CCO monitors trading activity.

DW prepares periodic investor commentaries, such as investor letters, portfolio reports, and portfolio summaries (as appropriate), for the DW Funds, the SMAs and the Sub-Advised Funds. Such commentaries are distributed monthly or quarterly, depending on the Client. All underlying DW Fund investors and SMA holders receive a monthly statement as well.

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

DW receives Management Fees and Incentive Compensation, as described in Item 5. Neither DW nor any of its employees receive any other economic benefits from third parties in connection with the provision of advisory services to the Clients.

The Firm does not currently use placement agents.

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

DW does not have physical or constructive custody of any Client funds or securities. However, under the Custody Rule, DW is nevertheless deemed to have custody of DW Fund assets because it is able to deduct fees from DW Fund accounts. Additionally, DW's affiliates (specifically DW GP, DW Domain GP, and DW CMBS GP) serve as general partner of the DW Funds that are organized as limited partnerships. In order to comply with the Custody Rule, DW maintains funds and securities held by the DW Funds with qualified custodians. A public accounting firm audits the DW Funds annually, and DW distributes audited financial statements to investors in the DW Funds annually within 120 days of fiscal year-end. DW does not have custody in connection with the Sub-Advised Funds and the SMAs.

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

As noted in Item 4, DW has discretionary authority to manage the Clients' investment portfolios. By entering into investment management agreements with DW, the Clients give DW complete authority to manage their assets in accordance with their investment objectives. Despite this broad authority, DW is committed to adhering to the investment objectives set forth in each Client's Governing Documents.

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

DW has authority to vote proxies in connection with investments in the DW Funds' portfolios. In addition to voting proxies for equity securities, DW at times votes on corporate actions such as restructurings, bankruptcy reorganizations and mergers, and similar events related to the DW Funds' other investments, including its debt investments. DW votes each proxy in accordance with its fiduciary duty to the DW Funds.



DW's portfolio managers decide how the Firm will vote each proxy, seeking to vote in a manner that maximizes the value of each DW Fund's assets and is in each DW Fund's individual best interest. DW may abstain from voting a proxy if DW determines that doing so is in the best interest of each relevant DW Fund.

In the event that there is an actual or potential material conflict of interest in connection with a proxy vote, DW's CCO will document such actual or potential conflict, consult with outside counsel or other third parties as needed, and vote in a manner that is consistent with the best interests of each eligible DW Fund.

DW, its prime brokers, and its proxy voting service provider, as appropriate, maintain records of all of proxy votes. Upon request, underlying DW Fund investors can obtain a copy of DW's proxy voting policies and procedures as well as records of proxies voted on behalf of the DW Funds.

Corbin Capital Partners, L.P. votes proxies on behalf of their respective Sub-Advised Funds.

The SMAs make private investments and therefore are not in a position to vote proxies. DW, as investment advisor with full discretion over the SMAs, is authorized to make decisions regarding the ongoing management of the SMAs' private investments.

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

Under no current circumstances will DW require or accept fees in advance of services rendered.

DW is not aware of any financial condition that is likely to impair its ability to meet contractual commitments to its Clients.

DW has never been the subject of a bankruptcy petition.

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

DW is not a state registered adviser.