

Polus Capital Management (US) Inc.
Form ADV PART 2
November 1, 2023

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This brochure provides information about the qualifications and business practices of Polus Capital Management (US) Inc. If you have any questions about the contents of this brochure, please contact us directly at 917.971.1904 or via email at ADV2US@poluscapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Polus Capital Management (US) Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

Polus Capital Management (US) Inc. is a registered investment adviser with the United States Securities and Exchange Commission. Please note that the title of Registered Investment Adviser does not imply any certain level of skill or training.

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1. Advisory Business (Item 4)

- A. Polus Capital Management (US) Inc. (“Polus”), a wholly-owned subsidiary of Polus Capital Management Group Limited (“PCMGL”), Polus is an adviser currently relying on Rule 203-A-2(C) as Polus expects to be eligible for SEC registration within 120 days of relying on ADV I filed on November 1, 2023, that was established in February 2011 under the name of Cairn Capital North America Inc. (“Cairn”) and incorporated in the state of Delaware. On November 9, 2022, Cairn was rebranded, and the company name was changed to Polus Capital Management (US) Inc. PCMGL was established in the UK in February 2004, and through its UK subsidiary Polus Capital Management Limited delivers a broad range of credit market services to clients and investors including pension funds, insurance companies, banks, money managers, corporations and funds of funds. Polus Capital Management Limited is registered as an overseas investment adviser with the SEC (801-66019). Polus, formerly known as Cairn, was established in the US to provide similar services focusing primarily on domestic clients.

PCMGL is a subsidiary of Mediobanca S.p.A. (“Mediobanca”) which, as at 1 November 2023, holds approximately 64% of PCMGL. The remaining 36% is owned by the management and staff of PCMGL, and STAR Capital Partners Investments Limited which holds approximately 3.3%.

Polus’s principal office is located in New York, New York, and Polus’s investment professionals are individually registered as investment adviser representatives as required. Polus provides asset management and investment advisory services to clients.

- B. Polus provides asset management and investment advisory services to clients. Polus’s focus, based on its highly specialized credit markets capability, is in the sectors of leveraged finance, collateralized loan obligations (“CLO”) and structured credit and finance more generally.

The asset management services provided by Polus generally include the management of the asset portfolio of the client, including the selection of assets to be acquired and assets to be disposed of, monitoring the assets in the portfolio and arranging any currency and interest rate hedging which Polus considers to be necessary.

[In portfolio management engagements, Polus will generally review portfolio assets on an ongoing basis and make decisions for future portfolio actions with respect to individual assets (or the portfolio as a whole) based on an analysis of current market values and trends, fundamental value, security specifics, technical flows and any other factors relevant to expected performance.]

Polus expects to utilize its UK affiliate, Polus Capital Management Limited, to provide certain services at this time, rather than performing all of these services itself. Under an arrangement between Polus and Polus Capital Management Limited, Polus has the ability to access the broad portfolio analysis and risk management capabilities of Polus Capital Management Limited. Full disclosure with respect to any outsourcing to Polus Capital Management Limited will be made to Polus's clients.

- C. Polus's advisory services are tailored to the individual needs of clients. Advisory mandates are individually negotiated and as part of those negotiations the needs of the client will be addressed and the client will be able to impose any restrictions the client wishes to impose, including restrictions on investing in certain securities or types of securities.
- D. Polus does not issue any publications or reports on a subscription basis or for a fee or participate in any wrap fee programs.
- E. As at 1 November, 2023, Polus managed assets on a discretionary basis of approximately U.S. \$0 and on a non-discretionary basis of approximately U.S. \$0. Polus is an adviser currently relying on Rule 203-A-2(C) as Polus expects to be eligible for SEC registration within 120 days of relying on ADV I filed on November 1, 2023.

2. Fees and Compensation (Item 5)

- A. The fees charged by Polus vary from client to client, are negotiable and are determined by reference to a number of factors including the expected activity, degree of expertise and responsibility required of Polus to meet its obligations, and market levels.

The fees for discretionary asset management generally include two elements, a base fee which is paid by reference to the value of the assets under management and a performance or incentive fee which represents a percentage of any excess returns achieved over prescribed levels. The base fee is generally paid monthly or quarterly in arrears. A performance fee may be paid annually and an incentive fee may be payable at the conclusion of the discretionary mandate.

Polus may receive fees from its UK affiliate, Polus Capital Management Limited, for the referral of business to the affiliate or for the performance of certain services in connection with mandates entered into by the affiliate with clients. Such fees will be determined by reference to a number of factors including Polus's relative role in sourcing the business or participating in the execution of the mandate and will be established on an arm's length basis between the two business entities.

- B. For discretionary asset management mandates, Polus is generally paid out of the assets under management pursuant to the mandate Polus does not have authority simply to deduct such fees from the assets under management. Any such fees are required to be

agreed and approved by the client or by a third party on the client's behalf such as, in the case of a private fund managed by Polus, the administrator appointed by the fund to provide administrative services in connection with the fund.

- C. In connection with discretionary investment management services, clients may pay other fees and expenses, depending on the nature of the services, including custodian fees, prime brokerage fees, fees of the administrator and directors' fees. See paragraph 9 below for a discussion of Polus's brokerage practices.
- D. Fees for advisory services will not be payable in advance.
- E. Neither Polus, nor any of its officers or employees, accepts compensation for the sale of securities or other investment products.

3. Performance Based Fees and Side-By-Side Management (Item 6)

Polus provides investment management and advisory services to a range of clients and, accordingly, circumstances may arise in which Polus, an affiliate of it or a supervised person (as defined by the SEC) may have a material interest in a transaction with or for a client or where a conflict of interest may arise between the client's interests and those of other clients or counterparties or of Polus. For example, under discretionary asset management transactions Polus may receive fees based, in part, on a performance or incentive fee which represents a percentage of any excess returns achieved over prescribed hurdle levels, while at the same time providing portfolio advisory services to other clients in which fees are fixed or calculated solely as a percentage of assets. In such circumstances Polus or its supervised persons will have an incentive to favour accounts for which Polus receives a performance-based fee over accounts for which Polus receives a fixed fee or a fee calculated solely as a percentage of assets. These conflicts are addressed by the adoption by Polus of an allocation policy which requires Polus to allocate orders fairly and not give unfair preference to any client, independent of the fee structure.

If Polus acts for a client in circumstances where it has a material interest or conflict of interests Polus will take reasonable steps to ensure that the client is treated fairly. In order to identify circumstances in which Polus, an affiliate of it or a supervised person may have a material interest in a transaction with or for a client or where a conflict of interest may arise between the client's interests and those of other clients or counterparties of Polus, the legal and compliance groups within Polus work to ensure that potential conflicts of interest and related issues are identified and dealt with swiftly and at an appropriate level within Polus. Any actual or potential conflict of interest is initially discussed by the Chief Compliance Officer with the relevant personnel and, if the issue cannot be immediately resolved by such discussion, is referred to a director of

Polus. The director will determine what action should be taken in order to resolve or manage the conflict. Such action may include declining to act in the particular matter.

Polus provides guidance and training in conflict matters in order to ensure that all relevant employees are kept aware of and up to date on applicable regulations and internal policies. Generally, because of the size of Polus and the fact that all employees are located on a single floor, Polus does not seek to operate information barriers and policies designed to ensure that price sensitive and/or confidential information held by employees does not pass to other employees. In situations where Polus receives information which is or may be price sensitive, Polus will generally regard itself and all employees as restricted. For example, where Polus elects to be private in respect of a loan which Polus proposes to acquire for a fund to which it provides investment management services and receives private information as a result, Polus will regard itself as restricted in respect of any publicly traded securities of the relevant entity and the entity will be placed on the restricted trading list maintained by Polus. However, should this become an issue (if credits and securities which were restricted were detrimental to managed client accounts) Polus will secure a separate office to effect physical separation and create an effective “Chinese Wall”. The physical separation of personnel would be reinforced with an effective compliance oversight system to manage and restrict the flow of information.

Under its conflicts policy, Polus is not under an obligation to disclose that it, an affiliate or a supervised person has or may have a material interest in a particular transaction with or for a client or that in a particular circumstance a conflict of interest or duty may exist, where Polus has managed such conflicts to ensure, with reasonable confidence, that the risk of damage to the client’s interests will be prevented. Such steps may include relying on a policy of independence under which every relevant employee must disregard any material interest or conflict of interest when advising a customer or dealing for a customer in the exercise of discretion. Polus is not under any obligation to account to a client for any profit, commission or remuneration made or received from or by reason of transactions or circumstances in which Polus, its affiliates or a supervised person has a material interest or where in particular circumstances a conflict of interest or duty may exist. It is Polus’s policy to disclose generally the existence of potential conflicts of interest where practicable or appropriate. Where Polus is unable to manage a conflict to ensure, with reasonable confidence, that the risk of damage to the client’s interests will be prevented it will disclose to its client the material interest or conflict of interest that it, its affiliate or a supervised person has, or may have, whether generally or in relation to a specific transaction, before it advises the client or before it deals on behalf of the client in the exercise of discretion in relation to the transaction. Polus will record this disclosure and the steps taken to ensure that the customer does not object to that material interest or conflict of interest. From time to time, a client agreement entered into by Polus may require Polus to disclose all potential or actual conflicts of

interest to the client whether or not Polus is able to manage such conflicts to ensure, with reasonable confidence, that the risk of damage to client's interests will be prevented.

Similar policies are in place at Polus's affiliate, Polus Capital Management Limited, so that any services performed for Polus by Polus Capital Management Limited will benefit from the same practices.

4. Types of Clients (Item 7)

Polus generally provides investment advice to pooled investment vehicles (e.g., CLO and other pooled funds). All clients will be Qualified Purchasers within the meaning of the Investment Company Act of 1940.

Polus has no established minimum client or account size for Polus to build or pursue a relationship.

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

- A. Polus's UK affiliate Polus Capital Management Limited is an experienced provider of portfolio advisory services to financial institutions, and Polus will leverage those capabilities to support Polus's US client base. In the following discussion in this Item 5, references to "Polus" will not attempt to distinguish between Polus and its affiliate.

In managing or advising on specific assets or portfolios of assets (or derivatives relating to assets) Polus carries out extensive analysis relating to an individual position, groups of positions or the aggregate portfolio.

At an individual position level Polus will carry out fundamental credit research as to the quality or strength of the cash flows of the creditor to which the position relates. In the case of a corporate asset this will include the prospects of the company, a view of the sector in which the company operates, the sensitivity of the earnings of the company to external factors and any other factors that may affect the company's ability to service its debts on a timely basis. In the case of structured credit or asset backed securities the underlying exposure will be to a pool of collateral (for example credit card receivables or mortgages) and the fundamental research will relate to the performance of that collateral pool under certain base case and stressed assumptions. The fundamental research is carried out by the credit research team. Polus will also analyze the structure of the issuing entity to which exposure is being taken to determine the ranking of the position relative to other creditors.

Polus will analyze the technical flows in the overall market as well as a particular security or position to determine whether market positioning has the potential to affect the price

of a security from technical flows.

Polus will analyze the liquidity of a position based on trading volumes and factor that into judging the appropriate size of a position for a particular mandate.

At a sectoral level Polus will judge whether exposures taken to a regional or industrial sector are appropriate and what factors may affect performance of borrowers in that sector including regulatory or governmental activity.

At a portfolio level Polus will analyze correlations between assets to determine overall risk positioning and may use index-based transactions to adjust portfolio beta.

Polus is committed to adopting and implementing responsible investment principles in a manner that is consistent with its fiduciary responsibilities to its clients. In furtherance of this Polus has adopted an ESG policy which sets out its approach to the management of environmental, social and governance (ESG) issues, including the principles which it aspires to. The policy is supported by a set of procedures which have been implemented in order to integrate these principles into Polus's activities. PCMGL is a signatory to the UN-supported Principles for Responsible Investment (PRI). The PRI is a global, collaborative network of investors established in 2006 in recognition of the increasing relevance of ESG issues within the investment process.

- B. Polus manages strategies on an active basis and does not follow benchmarks. Strategies are tailored to a particular client's aims and will generally be long only.

Securities, loans and derivatives trading are speculative and involve substantial risk of loss. However, in Polus's opinion, its strategies for evaluating credit risk and for developing appropriate models and assumptions to measure actual and expected security performance do not involve any significant or unusual risks to clients. Polus's primary strategies do not involve frequent trading of securities.

- C. Polus's advisory recommendations for clients are based on an evaluation of the client's needs, risk tolerance, regulatory requirements and other factors specific to that client, and therefore may differ substantially from one client to another. Portfolio advisory engagements will generally be focused on a specific asset class or group of asset classes, but even within a general asset class category Polus will not primarily recommend any particular type of security except in the event that a client specifically requests such a focus and Polus agrees to accept the mandate under those conditions. In any investment advisory or investment management mandate there is a risk of loss which Polus seeks to quantify and ensure that the returns for taking on that risk are adequate. This will depend upon the analysis described above as well as the returns

available.

6. Disciplinary Information (Item 9)

Neither Polus, nor any of its officers or employees, has any disciplinary history or disciplinary actions pending.

7. Other Financial Industry Activities and Affiliations (Item 10)

- A. Jacqueline M. Goode, the Firm's Chief Compliance Officer, is also registered at four broker/dealer FINRA member firms. In her capacity with those firms, Ms. Goode does not act as a registered representative or render any type of investment advice.
- B. Neither Polus, nor any of its officers or employees, is registered, or has an application pending to register, as a futures commission merchant, a commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.
- C. Polus's UK affiliate, Polus Capital Management Limited, provides investment advisory services to its own clients similar to the types of services that Polus is engaged to provide to its US clients. In addition, in connection with Polus's asset management and portfolio advisory engagements, Polus will engage Polus Capital Management Limited to provide some of the services Polus undertakes to provide under those agreements. Polus may also from time-to-time source US business for Polus Capital Management Limited and may receive an origination fee for such efforts. In all of these arrangements, Polus does not believe that its relationship with Polus Capital Management Limited will create any conflict of interest with clients. All arrangements between Polus and Polus Capital Management Limited will be arm's length agreements subject to market terms, and both Polus and its UK affiliate have policies in place to identify and resolve any potential conflicts of interest with clients however they might arise.
- D. As described above in B, from time-to-time Polus may source US business for its affiliate Polus Capital Management Limited, in circumstances where the latter is better able to meet a specific client need. This business may come from existing clients of Polus as well as institutions that have no client relationship with Polus. As discussed above, Polus does not believe that these activities will create any conflict of interest with clients. Polus's policy for managing conflicts of interests precludes it from recommending its affiliate to provide advisory services to clients if Polus deems that recommendation not to be in its clients' best interests.

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

- A Polus, as a matter of policy and practice, and consistent with industry best practices and

SEC requirements (SEC Rule 204A-1 under the Investment Advisers Act of 1940), has adopted a written Code of Ethics covering all supervised persons. Polus's Code of Ethics requires high standards of business conduct, compliance with federal securities laws, reporting and recordkeeping of personal securities transactions and holdings and quarterly reviews of employee personal trading activity. Further, employees are not permitted to participate in or have a financial interest in client transactions and portfolio managers and research analysts are not permitted to invest in the same securities as are traded for clients. Employees are subject to disciplinary actions and/or possible sanctions for a failure to comply with Polus's Code of Ethics. Polus will provide a copy of the Code of Ethics to any client or prospective client upon request.

- B. From time to time, Polus in its capacity as investment manager may enter into securities, loan, foreign exchange or other derivatives transactions with Mediobanca. Such transactions are entered into on arm's length terms and any conflict of interest arising from such transactions is managed by application of the stringent policies and procedures that Polus has adopted, including its obligation to obtain best execution for clients.
- C. Polus or a related person may from time to time invest in securities issued by CLO managed by Polus in order to comply with risk retention requirements to which Polus is subject. Such investments are not generally considered to give rise to material conflicts of interest. Any conflict of interest that may arise will be managed by application of the stringent policies and procedures that Polus has adopted.
- D. Polus or a related person may from time to time recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that Polus or a related person buys or sells the same securities for its own (or the related person's own) account. Any such transactions are entered into on arm's length terms and any conflict of interest arising from such transactions is managed by application of the stringent policies and procedures that Polus has adopted.

9. Brokerage Practices (Item 12)

- A. Polus does not have client assets in its possession (or under its control). In the case of discretionary portfolio mandates, Polus relies on third-party broker-dealers, custodians, trustees and other counterparties who are aware that Polus is authorized to effect transactions on behalf of the client.

The factors considered by Polus in selecting brokers and counterparties and determining the reasonableness of their commissions and charges include the following:

- (i) the credit rating and credit standing of the broker/counterparty;
- (ii) the ability of the broker/counterparty to offer speedy and efficient execution in a

broad range of securities and products;

(iii) transparency in pricing and whether the pricing offered is competitive by reference to other market participants; and

(iv) the credit lines, collateral and other transaction terms offered by the broker/counterparty.

The value of any products, research and services given to Polus or a related person is not a factor considered by Polus in selecting brokers and counterparties and determining the reasonableness of their commissions and charges.

Polus does not routinely recommend, request or require that a client direct Polus to execute transactions through a specified broker-dealer. Should a client instruct Polus to direct the client's brokerage transactions to a particular broker-dealer, Polus will require the client to acknowledge that this may prevent Polus from being able to obtain the best possible result for the execution of the transaction.

B. Polus may carry out a client order in aggregation with another client order only if the following conditions are met:

(i) it is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client whose order is to be aggregated; and

(ii) it has disclosed either orally or in writing to each client whose order is to be aggregated, either specifically or in the client agreement, that the effect of aggregation may work to its disadvantage in relation to a particular order.

Polus's policy is to aggregate orders when Polus has the opportunity to do so and the above conditions are met. If Polus does not aggregate orders when it has the opportunity to do so it is possible that the costs to a client whose order was not aggregated may be greater than if the order had been aggregated because, for example, aggregation would have resulted in a larger transaction size and lower transaction costs as a result.

10. Review of Accounts (Item 13)

Given the nature of its business, the accounts of Polus are monitored and reviewed on an ongoing basis so that any action which Polus considers to be necessary or advisable can be determined and implemented on a timely basis. Polus accounts and client agreements will be subject to a quarterly review by both a director and the Chief Compliance Officer to ensure that all terms of the agreement or transaction are being handled in accordance with the stated terms and in continued compliance with all federal and state securities laws. The review will be documented, and any potential issues will be noted and remedied immediately.

11. Client Referrals and Other Compensation (Item 14)

Polus, as a matter of policy and practice, may compensate persons, i.e., individuals or entities, for the referral of advisory clients to Polus provided appropriate disclosures and regulatory requirements are met. Such referral and compensation arrangements will generally be specific to a particular situation.

Under the SEC cash solicitation Rule (Rule 206(4)-3) and comparable rules adopted by most states, investment advisers may compensate persons who solicit advisory clients for a firm if appropriate agreements exist, specific disclosures are made, and other conditions are met under the rules.

Polus has adopted various procedures to monitor and ensure Polus's policy is observed, implemented and updated, which include the following:

- a) Polus's Chief Compliance Officer and a director will review and approve the solicitor's background, compensation matters and related matters.
- b) Polus will restrict and monitor political contributions made by Polus and covered associates to government officials and/or candidates.
- c) If a potential conflict of interest is discovered during the initial and on-going due diligence of the solicitor, the agreement may be terminated to avoid any further potential conflicts of interest.
- d) If Polus considers entering into a referral and compensation arrangement with an individual who is not a supervised person, then prior to entering into any such arrangement Polus will determine whether SEC and applicable state rules requiring registration of investment adviser representatives should apply and, if so, will not enter into any such arrangements until all applicable conditions are met.

12. Custody (Item 15)

As a matter of policy and practice, Polus does not maintain custody of client assets, nor do its employees. It is Polus's policy that all funds, securities, and other assets of each of its clients be maintained in the name of the respective client and held for safekeeping by a bank, broker/dealer or other custodian handling each client's respective account. Polus will not intentionally take custody of funds and/or securities and, if such occurrence arises, will arrange for the prompt delivery to the appropriate safekeeping account of the client.

13. Investment Discretion (Item 16)

Polus accepts discretionary authority to manage portfolios of assets on behalf of clients.

In its discretionary mandates, Polus will generally be engaged to manage a portfolio on

behalf of a client with the goal of providing a positive investment return over time while meeting the client's objectives with respect to asset class, risk profile and other parameters. In these cases, Polus will generally have full investment authority to buy and sell assets, enter into appropriate interest rate or currency hedges as required, and make other decisions in connection with managing the portfolio. In such engagements, Polus's policy and practice is to enter into an agreement with the client which details the investment objectives and parameters and then on an ongoing basis provide disclosure to the client of Polus's views, decisions and actions with respect to individual portfolio assets.

14. Voting Client Securities (Item 17)

In the case of discretionary advisory mandates and asset management engagements, Polus will exercise, or refrain from the exercise of, any voting or other rights attaching to the investments comprised in a portfolio as Polus in its absolute discretion thinks fit. This policy will be explicitly disclosed to clients in the agreement between Polus and the client.

15. Financial Information (Item 18)

Polus does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Polus will have discretionary authority to manage portfolios on behalf of clients but will not have custody of client assets.