Crédit
Financial Group

Strategy Disclosures

Information about our Group strategies is provided for informational purposes only and does not constitute, and should not be construed as, an offer to sell, or a solicitation of an offer to buy, any securities, or an offer, invitation or solicitation of any specific products or the investment management services of our Group, or an offer or invitation to enter into any portfolio management mandate with our Group. Our Group makes no representation, and it should not be assumed, that past investment performance is an indication of future results. Moreover, wherever there is the potential for profit there is also the possibility of loss.

The following key risk descriptions are not intended to be a complete or exhaustive list of all risks related to the investment activities of Group's strategies described herein and there may be other risks not reflected below that may be applicable to Group's strategies.

While all Group strategies will generally be subject to the risks described in the "General" section below, the applicability of the risks described under "Investment Activities" will depend on the specific investments and activities of each individual strategy.

General

Alternative investment strategies
Each of the Group strategies referenced herein is speculative and involves a high degree of risk. The strategies will involve investing in securities and obligations that entail substantial risk. There can be no assurance that such investments will increase in value, that significant losses will not be incurred or that the objectives of the strategies will be achieved. Specific investment risks include, but are not limited to, those described under Investment Activities below.

Potential conflicts of interest

Our Group manages a number of strategies that present the possibility of overlapping investments or investments in different parts of the capital structure. Our Group will seek to manage such conflicts in good faith.

Leveraged companies

Investments in companies whose capital structures have significant leverage are inherently more sensitive than others to declines in revenues and to increases in expenses and interest rates, posing a greater possibility of bankruptcy or default.

Nature of bankruptcy proceedings

Investing in companies involved or who may become involved in bankruptcy proceedings presents significant risks, foremost of which are the lack of control over certain events, the bankruptcy filing itself may have an adverse impact on the company, the duration of the proceedings are difficult to predict and may be further impacted by delays, the costs inherent in the process are frequently high, creditors can lose their priority and ranking in a variety of circumstances and representation on a creditors committee may subject the creditor to various trading and confidentiality restrictions.

Lack of diversification

The strategies will not be diversified among a wide range of issuers or industries. Accordingly, returns may be subject to more rapid changes than would be the case if the strategy were required to maintain a wide diversification among companies, industries and types of securities.

Illiquid investments

The strategies will involve investing in illiquid securities or securities which are restricted as to their transferability. Such restrictions may limit the ability to sell such securities at their fair market value.

Investment Activities

Loans and other debt or debt-like instruments
Loans or other debt instruments, including debt-like instruments like preferred equity, are subject to unique risks, including (a) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws, (b) so-called lender liability claims by the issuer of the obligations and (c) environmental liabilities that may arise with respect to collateral securing the obligations.

In addition, if an investment in a loan is structured as a participation, there may be limitations on the holder's ability to directly enforce its rights against the borrower.

Convertible securities

Many convertible securities are not rated investment grade. Securities in the lower-rated and non-rated categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with lower-rated and non-rated securities, the yields and prices of such securities may be more volatile than those for higher-rated securities. The market for lower-rated and non-rated securities is thinner, often less liquid, and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold and may even make it impractical to sell such securities. The limited liquidity of the market may also adversely affect the ability to arrive at a fair value for certain lower-rated and non-rated securities at certain times and could make it difficult to sell certain securities.

The risk of the issuer of a convertible security that possess high income features undergoing a reorganization under the European, Asia or U.S. federal bankruptcy laws or similar laws may be higher than an issuer of a traditional convertible security. As such, there are a number of significant risks associated with investing in companies involved in a bankruptcy proceeding, including, among others, possible adverse effects on the issuer, costs associated with delays in the bankruptcy proceeding, and loss of ranking and priority as a creditor.

High yield bonds

Securities in the lower rated categories and comparable non-rated securities are subject to greater risk of loss of principal and interest than higher rated and comparable non-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings or comparable non-rated securities in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower rated and comparable non-rated securities, the yields and prices of such securities may be more volatile than those for higher rated and comparable non-rated securities. The market for lower rated and comparable non-rated securities is thinner, often less liquid, and less active than that for higher rated or comparable non-rated securities, which can adversely affect the prices at which these securities can be sold and may even make it impractical to sell such securities.

Direct lending

Lending and investments in other debt instruments entail normal credit risks (i.e., the risk of non-payment of interest and principal) and market risks (i.e., the risk that certain market factors will cause the value of the instrument to decline). When originating a loan, a lender expects to rely significantly upon representations made by the borrower. There can be no assurance that such representations are accurate or complete, and any misrepresentation or omission may adversely affect the valuation of the collateral underlying the loan, or may adversely affect the ability of the lender to perfect or foreclose on a lien on the collateral securing the loan, or may result in liability of the lender to a subsequent purchaser of the loan. Finally, under certain circumstances, payments to the lender may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Derivative instruments

Certain Group strategies may involve investments in derivative instruments. Derivatives are investment instruments that consist of a contract between parties in which the derivatives' value is derived from and depends on the value of an underlying financial instrument. Examples of derivatives include foreign currency contracts, options and credit default and total return swaps. Primary risks associated with trading in derivatives may include market, counterparty and liquidity risks. Additional risks associated with short sales and options and swaps are described below.

Short sales and options

A short sale of a security involves the risk of a theoretically unlimited loss from a theoretically unlimited increase in the market price of the security that could result in an inability to cover the short position. The successful use of options depends principally on the price movements of the underlying securities, and if the price of the underlying security does not rise (in the case of a call) or fall (in the case of a put) to an extent sufficient to cover the option premium and transaction costs, the strategy will lose part or all of its investment in the option.

Swaps

Certain strategies may engage in activities that involve the use of swaps, including total return swaps, interest rate swaps and credit default swaps, in which case there is usually a contractual relationship only with the counterparty of such swap, and not the issuer, As a result, there will be exposure to the credit risk of the counterparty. In addition, certain swaps may be required to be submitted to a central clearing counterparty, in which case there will be exposure to the credit risk of the central clearing counterparty and any Futures Commodity Merchant that may be used to access such central clearing counterparty. The regulation of derivatives transactions and portfolios that engage in such transactions is an evolving area of law and is subject to modification by governmental and judicial action. The effect of any future regulatory change on the strategies could be substantial and adverse.

Stressed credits

Any deterioration of underlying market fundamentals could negatively impact the performance of investments in stressed companies. Changes in general economic conditions, tax rates, operating expenses, interest rates and the availability of debt financing may also adversely affect the performance of such investments. For these or other reasons, investments in stressed companies may become “non-performing” after their acquisition, and during an economic downturn or recession, stressed investments are more likely to go into default than securities of other issuers not experiencing financial stress. Securities of stressed companies are also often less liquid and more volatile than securities of companies not experiencing financial difficulties, often involving a higher degree of credit and market risk.

Use of leverage

Certain strategies may engage in activities that involve the use of leverage. While leverage presents opportunities for increasing an account’s total return, it may increase losses as well. Accordingly, any event that adversely affects the value of an investment would be magnified to the extent leverage is used.

Real estate investments

The value of real estate-related securities can fluctuate for various reasons. Real estate values can be seriously affected by a variety of factors, including interest rate fluctuations, changes in global or local economic conditions, bank liquidity, the availability of financing, changes in supply and demand fundamentals and by regulatory or governmentally imposed factors such as a zoning change, an increase in property taxes, the imposition of height or density limitations, the requirement that buildings be accessible to disabled persons, the requirement for environmental impact studies, the potential costs of remediation of environmental contamination or damage and the imposition of special fines to reduce traffic congestion or to provide for housing. Income from income-producing real estate may be adversely affected by general economic conditions, local conditions such as oversupply or reduction in demand for space in the area, competition from other available properties, and the owner provision of adequate maintenance and coverage by adequate insurance. Furthermore, certain investments in mortgages, real estate or non-publicly traded securities and private debt instruments have a limited number of potential purchasers and sellers. This factor may have the effect of limiting the availability of these investments for purchase and may also limit the ability to sell such investments at their fair market value in response to changes in the economy or the financial markets.

In addition, real estate markets in emerging market countries have often experienced boom and bust price cycles, and a deterioration of real estate fundamentals in the emerging markets may have an adverse impact on performance.

Infrastructure sector

Most infrastructure assets have unique locational and market characteristics, which could make them highly illiquid or appealing only to a narrow group of investors. Infrastructure investments expose the strategy to numerous risks, usually without recourse to the general credit of a project sponsor, including (without limitation): construction; environmental; regulatory; permitting; commissioning; start-up; operating; economic; commercial; contractual; political; innovation; and financial risks. The strategy may also invest in early developmental stage projects, involving risks of failure to obtain or substantial delays in obtaining: regulatory, environmental or other approvals or permits; financing; and suitable equipment supply, operating and offtake contracts. Finally, the strategy will be subject to additional infrastructure sector risks, including (i) the risk that technology employed will be not be effective or efficient, (ii) the risk of equipment failures, fuel interruptions, loss of sale and supply contracts; changes in power or fuel contract prices, bankruptcy of or defaults by key customers, suppliers or other counterparties, and tort liability; (iii) risk of changes of values of infrastructure sector companies; (iv) risks associated with employment of personnel and unionized labor; and (v) political and regulatory considerations and popular sentiments that could affect the ability of the strategy to buy or sell investments on favorable terms. The occurrence of events related to any of the foregoing could have a material adverse effect on a strategy and its investments. There is no assurance that a strategy’s investment projects will be profitable or generate cash flow sufficient to service their debt or provide a return on or recovery of amounts invested therein.

Power sector

For much of its history, the power sector, and particularly the utility industry within this broader sector, was characterized by institutional stability and predictability of financial performance. The advent of deregulation, privatization, technological change and market volatility has created a much less stable sector with substantially greater variability of company performance. There can be no assurance that the pace or direction of the change will be in accord with expectations, nor that the industry changes will benefit investments. Investing in power facilities and related assets is subject to a variety of risks, not all of which can be foreseen or quantified, including operating, economic, environmental, commercial, regulatory, political and financial risks.