



**Firm Brochure**  
(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of Merganser Capital Management, LLC (“Merganser” or the “Adviser”). If you have any questions about the contents of this brochure, please contact us at: 617-494-1000, or by e-mail at [compliance@merganser.com](mailto:compliance@merganser.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”), or by any state securities authority.

Additional information about Merganser is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

March 30, 2026

## **Material Changes**

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### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Adviser Brochure (the “Brochure”).

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### **Material Changes since the Last Annual Update**

This Brochure replaces the previous version dated March 25, 2025. There are limited but no material changes to this version.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’s fiscal year. We will further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on material changes or new information, at any time, without charge.

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### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Brochure, please contact us by telephone at 617-494-1000 or by e-mail at [compliance@merganser.com](mailto:compliance@merganser.com).

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# Advisory Business

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## Firm Description

Merganser is the successor to the business of Merganser Capital Management, Inc., which was founded in 1985. Merganser focuses on serving the fixed income investment needs of institutional and high-net worth individual clients. Merganser serves a diverse group of clients in a variety of disciplines nationwide including public and private pension plans, operating companies, Taft-Hartley plans, and endowment funds as well as defined contribution plans. Merganser's advisory clients include institutions and high net worth individuals with separately managed accounts, private funds intended for sophisticated investors and institutional investors (the "Funds") and investment companies registered under the Investment Company Act of 1940 (collectively, the "clients").

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## Principal Owners

The principal owner of Merganser is Providence Equity Capital Markets Merganser LLC, an affiliate of Providence Equity Partners L.L.C. ("Providence"), which owns approximately 75%. Employees and former employees of the Adviser and related affiliates own the remaining 25%. Providence is registered with the SEC as an investment adviser. Please see "Other Financial Industry Activities and Affiliations" below for more information.

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## Types of Advisory Services

Clients choose Merganser to manage fixed income assets. Merganser provides its clients with discretionary account management services, which include management of accounts for which the Adviser has the authority to direct investments without obtaining the consent of the client. Merganser's advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of clients, managing and monitoring the performance of such investments and disposing of such investments. From time to time, Merganser may provide account management services where client consent is required prior to effecting transactions in securities for such client's account. Merganser assists clients in determining risk and return objectives and, in relation to a client's existing holdings, defining the asset configurations most likely to achieve these objectives, including identification of appropriate market sectors for investment.

As of December 31, 2025, Merganser managed approximately \$17,661 million in assets for approximately 125 clients, all of which is managed on a discretionary basis.

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## Investment Management Agreement (“IMA”)

Services are provided to clients in accordance with an IMA and/or the organizational documents of the applicable client. Each client’s investment guidelines, including its investment restrictions, and applicable fees are documented in the IMA. The IMA is provided to the client in writing and signed by both parties prior to the start of the relationship.

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## Tailored Relationships

The investment guidelines for each client are documented in each client’s IMA and/or organizational documents. Separately managed account clients may impose restrictions on investing in certain securities or types of securities after discussion with the Adviser.

Agreements may not be assigned without client consent.

## Fees and Compensation

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### Description

Merganser charges advisory fees to its clients for its investment management services at rates agreed upon by Merganser and its clients based upon a percentage of assets under management. The general account annual fee schedule for Merganser’s primary strategies is as follows:

#### Floating Rate Bond

0.25%	first	\$50,000,000
0.20%	next	\$50,000,000
0.15%	over	\$100,000,000

#### Cash Enhanced

0.18%	first	\$100,000,000
0.12%	over	\$100,000,000

#### Short 1-3 Year, Short 1-5 Year

0.25%	first	\$50,000,000
0.20%	next	\$50,000,000
0.15%	over	\$100,000,000

#### Short Income, Intermediate, Core, Core Plus

0.30%	first	\$50,000,000
0.25%	next	\$50,000,000
0.20%	over	\$100,000,000

Merganser, in its sole discretion, may waive its stated fee and/or charge a reduced advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related persons, account composition, negotiations with clients, etc.).

For customized services that do not fall within the product categories above, fees are negotiable.

Advisory fees for separately managed accounts are billed quarterly, typically in arrears. Merganser does not deduct advisory fees from separately managed client accounts. Rather, Merganser bills such clients or, in the alternative, the client authorizes the custodian of the account to pay the applicable fee to Merganser. In certain instances, separately managed account clients pay advisory fees in advance. If an IMA with such a client is terminated before the end of a billing period, Merganser will refund to the client any pre-paid but unearned fees based on the number of days remaining in the billing period.

Merganser also sponsors certain Funds, which are pooled vehicles formed as an alternative method of managing investor's assets. Such Funds are intended to provide a means of investment for accredited investors with assets insufficient to justify separate account management, or for those desiring the additional diversification offered by the larger pool of investments. Merganser charges fees for its account management services for the Funds at an annual rate of (a) 0.20% of assets under management for the Merganser Short-Term Bond Fund LLC, (b) 0.20% of assets under management for the Merganser Floating Rate Bond Fund LLC, (c) 0.225% of assets under management for the Merganser Core Bond Fund II LLC, and (d) 0.225% of assets under management for the Merganser Short Income Fund LLC. Such fees are invoiced to the Funds each month and are generally paid by the Funds monthly in arrears. Except as may be provided in a Fund's organizational documents or IMA, management fees paid by the Funds are indirectly borne by Fund investors.

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### **Other Fees and Expenses**

Fees and expenses borne by separate account clients are set forth in the IMA with the individual client. Separately managed account clients' custodians may charge transaction fees on purchases or sales of certain securities. Fees charged by the custodian are not included in the advisory fee.

Except as set forth in its organizational documents, a Fund generally bears its own portfolio brokerage expenses. These expenses include commissions and dealer spreads, settlement costs, and all extraordinary expenses including but not limited to the costs associated with perfecting an interest in a security held by the Fund or the assertion of creditors' rights, the costs of disputes with dealers and the costs of litigation (or defending threats of litigation, including discovery requests) involving the Fund, indemnification and other extraordinary

expenses not incurred in the ordinary course of the Fund's business. The determination of whether an expense of a client is extraordinary is made by Merganser in its sole discretion.

Except as provided above and in the organizational documents of the Funds, Merganser generally pays for a Fund's advisory and administrative services as well as the Fund's marketing and distribution expenses, custody expenses, account maintenance expenses, annual accounting and audit expenses, tax preparation expenses, ordinary valuation and pricing expenses, ongoing legal expenses and organizational expenses.

The Adviser may utilize the services of broker-dealers in connection with investments made by a client. Any brokerage or other transaction costs are borne by such client except as provided above or in the applicable client IMA or organizational documents. For additional information, please see "Brokerage Practices" below.

## **Performance-Based Fees and Side-by-Side Management**

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In limited situations, Merganser and its client may agree on a fee that is based on a share of the capital gains or capital appreciation of managed securities.

Merganser did not charge any performance-based fees as of December 31, 2025.

## **Types of Clients**

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### **Description**

Merganser focuses on serving the fixed income investment needs of institutional clients. Merganser's existing and future clients and Fund investors include, among others, (a) high net worth individuals, (b) banks, (c) nonprofit organizations, (d) pension and profit-sharing plans, (e) trusts, (f) estates, (g) charitable organizations, (h) university endowments, (i) corporations, (j) sovereign wealth funds, (k) limited partnerships and (l) limited liability companies in a variety of industries. Merganser also provides investment advice as a sub-adviser to investment companies registered under the Investment Company Act of 1940 (the "1940 Act").

The Adviser provides investment advisory services to the Funds and such investment companies. Investment advice is provided directly to the Funds and such investment companies and not individually to the investors in the Funds or investment companies. Investors in the Funds must be "accredited investors" as defined in Regulation D under the Securities Act of 1933.

Client relationships vary in scope and length of service.

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## Account Minimums

The minimum separately managed account size is generally \$20,000,000, except that the minimum separately managed account size for the Cash Enhancement strategy is generally \$100,000,000.

Merganser has sole discretion to waive these account minimums.

In addition, investors wishing to invest less than \$20,000,000 may invest in one or more of the Funds. The Funds do not have a minimum size, but minimum subscription amounts are established for certain Fund investors as provided in the relevant offering documents, which, in certain cases, are subject to waiver in Merganser's sole discretion.

## Methods of Analysis, Investment Strategies and Risk of Loss

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### Methods of Analysis

The Merganser investment process is designed in such a way that allows the investment team to be flexible and responsive to changes in the markets. All purchases are made with a willingness to hold securities to maturity based on intrinsic value. A decision to sell generally begins with a recommendation from the sector team. A discussion among team members would typically take place with the goal of reaching consensus.

Making yield curve bets versus the benchmark is not a significant part of the Merganser strategy. Based upon Merganser's market outlook, the duration of a client's portfolio is typically within +/-10% of the duration of the benchmark.

The Merganser sector teams monitor holdings on a daily basis, and for example, may consider recommending a sale under any of the following circumstances:

#### Change(s) in credit opinion

- Merger/acquisition
- Operating results/financial condition
- Future management business expectations
- Change in senior management
- Change in business strategy
- Change in funding ability
- Change in collateral performance
- Change in credit quality ratings by rating agencies

#### Change(s) in market valuation

- Shift in market supply/demand balance
- Trading rich versus similar available investment opportunities
- Trading rich versus different maturity opportunities in same credit
- Decline in price for no known reason - (difficult subjective call)

- Change in capital markets
- Unexplained significant behavior of common stock
- Credit difficulties in similar companies
- Credit difficulties in industry
- Unrelated credit difficulties, need to short

#### Change(s) in client's needs

- Due to a change in risk tolerance
- To fund a client withdrawal

Based on the work of the sector team, Merganser's product teams, which are comprised of our portfolio managers, construct each client's portfolio from the bottom up. A typical portfolio has approximately 75 to 125 securities. Before negotiating the purchase of the security, Merganser first does a portfolio needs assessment. Merganser reviews each portfolio's exposure to the market sector and the specific security in question. Merganser determines whether the duration impact of adding the security would be acceptable within the context of the Adviser's overall portfolio strategy and the accounts' investment guidelines. Final portfolio characteristics are guided by each client's objectives and benchmarks.

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#### **Research Process**

The Merganser research process has two broad facets: bottom-up and top-down.

The bottom-up process focuses heavily on issuer and issue analysis. For structured products, the issuer analysis includes a review and assessment of loan underwriting and documentation procedures, servicing capability, back-up servicer capability, reputation in the industry, parent support (if any), financial strength and performance of prior deals in the market. The issue-level analysis is highly quantitative and includes a thorough review of the following: the nature and amount of credit enhancement, the cash-flow waterfall and collateral performance triggers, historical collateral performance versus previous issues from the same issuer and other peer-group issuers, and extensive stress-testing under a wide range of potential economic and interest rate conditions and loss scenarios. This initial review is supported by a rigorous, proprietary surveillance process to identify upgrade/downgrade candidates, identify trends in the underlying collateral and focus relative value discussions between sectors.

For corporate bonds, Merganser focuses on fundamental credit, relative and absolute value (spread levels) and issue specific analysis for all of the Adviser's holdings. The fundamental credit analysis is generally based on a thorough review of a company's business, management, legal structure and equity holders. Merganser then conducts a detailed analysis of the company's historical financial performance, which is evaluated against the financial

performance of peer companies. Merganser focuses on projected free cash-flow generation, interest coverage, leverage, collateral coverage and enterprise valuation. The relative and absolute value analysis is based on a series of tools and techniques aimed at uncovering value along the maturity spectrum and capital structure of a particular issuer. Lastly, issue specific analysis allows us to determine the appropriate spread over treasuries or like issuers that we require to assume the risk of the issuer's debt.

The top-down facet of Merganser's investment process involves ongoing asset allocation discussions. These discussions are iterative and include input from the entire investment team. Merganser reviews relative value opportunities, valuation metrics and technical market factors in all of the following sectors: (a) corporates, (b) governments, (c) asset backed, and (d) mortgages.

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### Investment Strategies

Merganser believes that in an inefficient over the counter market, the Adviser's active fixed income management process should seek to provide consistent excess returns for its clients. As fundamental investors, Merganser is dedicated to understanding intricate fixed income vehicles. The Adviser is committed to seeking to provide superior returns through identification of securities and sectors that have compelling risk/reward characteristics. Our investment process is based on relative value; our focus is on security selection and sector allocation; and we seek to add value through diligent research, execution, and risk management.

Merganser employs a disciplined value-oriented approach, aiming to be fully invested at all times in the most attractive sectors. Portfolio optimization techniques are employed to produce high risk-adjusted returns.

Merganser's primary strategies are as follows:

<b>Strategy</b>	<b>Target Duration*</b>	<b>Benchmark</b>
Investment Grade Floating Rate	Less than 3 months	Bloomberg US Treasury Floating Rate Index
Cash Enhancement	.25 to 1 year	ICE BofAML 1 Year Treasury Bill Index
Short Term Bond 1-3 Year Government Credit	1 to 3 years	Bloomberg 1-3 Year Government/Credit Index
Short Income	1 to 3 years	Bloomberg 1-3 Year Government/Credit Index
Short Term Bond 1-5 Year Government Credit	1 to 3 years	ICE BAML 1-5 Year Corp/Gov
Intermediate Government/Credit	3 to 5 years	Bloomberg US Intermediate Government/Credit Index

<b>Strategy</b>	<b>Target Duration*</b>	<b>Benchmark</b>
Intermediate Credit	3 to 5 years	Bloomberg US Intermediate Government/Credit Index
Intermediate Aggregate	3 to 5 years	Bloomberg Intermediate Aggregate Index
Core Aggregate	4 to 7 years	Bloomberg US Aggregate Index
Core Plus	4 to 7 years	Bloomberg US Aggregate Index

\* Duration measures the percentage change in price for a 1 percentage point or 100 basis-point change in interest rates. The longer the duration, the more sensitive the strategy is to interest rate changes.

Merganser also provides customized portfolio management tailored to the unique guidelines of institutional clients.

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## **Risk of Loss**

***Investing in securities involves a substantial degree of risk. A client may lose all or a substantial portion of its investment and investors must be prepared to bear the risk of a complete loss of their investments.***

Fixed income investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best-known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing market value, albeit rather minimal.

Material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for the Adviser's clients in connection with those strategies and methods, include the following:

- **Interest-Rate Risk:** Fluctuations in interest rates will cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds rise, causing their market values to decline.
- **Market Risk:** The price of a security or bond may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions such as energy and commodity prices, political administration transitions

or terrorism may trigger market events. In addition, periodic stress in the banking sector could be a sign of systemic economic weakness that could be revealed over time, and the effect on inflation of the related remedies by the U.S. federal government could cause further adverse economic implications. Such stress events have also caused volatility in markets generally.

- **Benchmark Risk:** The London Interbank Offered Rate (LIBOR) was the offered rate at which major international banks could obtain wholesale, unsecured funding. The terms of investments, financings or other transactions (including certain derivatives transactions) to which the clients may be a party have historically been tied to LIBOR. In connection with the global transition away from LIBOR led by regulators and market participants, LIBOR was last published on a representative basis at the end of June 2023. Alternative reference rates to LIBOR have been established in most major currencies (e.g., the Secured Overnight Financing Rate for U.S. dollar LIBOR and the Sterling Overnight Index Average for GBP LIBOR) and the transition to new reference rates continues. The transition away from LIBOR to the use of replacement rates has gone relatively smoothly but the full impact of the transition on the clients may continue to affect financial instruments in which a client invests. Although LIBOR publication has ceased and SOFR is widely adopted, legacy instruments may still present legal, operational, valuation, and basis risks (including differences between SOFR and prior benchmarks and the operation of fallback provisions).

Interest rates or other types of rates and indices which are classed as “benchmarks” have been the subject of ongoing national and international regulatory reform, including under the European Union regulation on indices used as benchmarks in financial instruments and financial contracts (known as the “Benchmarks Regulation”). The Benchmarks Regulation has been enacted into United Kingdom law by virtue of the European Union (Withdrawal) Act 2018 (as amended), subject to amendments made by the Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019 (SI 2019/657) and other statutory instruments. Following the implementation of these reforms, the manner of administration of benchmarks has changed and may further change in the future, with the result that relevant benchmarks may perform differently than in the past, the use of benchmarks that are not compliant with the new standards by certain supervised entities may be restricted, and certain benchmarks may be eliminated entirely. Such changes could cause increased market volatility and disruptions in liquidity for instruments that rely on or are impacted by such benchmarks. Additionally, there could be other consequences which cannot be predicted.

Please see “SOFR Risk” and “Alternative Benchmark Rate Risk” below for further information.

- **SOFR Risk:** SOFR is a relatively new index rate calculated based on short-term repurchase agreements backed by U.S. Treasury Instruments. While LIBOR is an unsecured rate, SOFR is a secured rate. SOFR, unlike LIBOR, reflects actual market transactions. Accordingly, SOFR is not the economic equivalent of LIBOR. Consequently, there can be no assurance that SOFR will perform in the same way as LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, monetary policy, bank credit risk, market volatility or global or regional economic, financial, political, regulatory, judicial or other events.

Additionally, because SOFR is published by the Federal Reserve Bank of New York (the “New York Fed”) based on data received from other sources, we have no control over its determination, calculation, or publication. There can be no assurance that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of the clients. If the manner in which SOFR is calculated is changed, that change may result in a reduction of the amount of interest payable on SOFR-linked floating rate instruments and the trading prices of such instruments. Additionally, daily changes in SOFR have, on occasion, been more volatile than daily changes in other benchmark or market rates. Although occasional, increased daily volatility in SOFR would not necessarily lead to more volatile interest payments, the return on and value of SOFR-linked floating rate instruments may fluctuate more than floating rate instruments that are linked to less volatile rates. All of the foregoing risks may affect the performance of the applicable bonds and loans in which the clients invest, which in turn may adversely affect the performance of the clients.

- **Alternative Benchmark Rate Risk:** As stated above, some of the bonds and loans held by the clients may have floating interest rates based on alternative benchmark rates other than SOFR. Such alternative benchmark rates, like SOFR, may not have been widely used by market participants until relatively recently, and they may not perform exactly the same as LIBOR because they are calculated and administered differently. Generally, the use of alternative benchmark rates (including SOFR) may (i) cause the value of the interest rate on such bonds and loans to be uncertain or to be lower or more volatile than it would otherwise be, (ii) result in uncertainty as to the functioning, liquidity or value of such bonds and loans, and/or (iii) involve actions of regulators or rate administrators that may adversely affect certain markets or contracts underlying such bonds and loans. All of the foregoing could adversely affect the return on and value of the related floating rate instruments in which the clients invest.

- **Inflation Risk:** When any amount of inflation is present purchasing power declines over time. A dollar in the future buys less than a dollar today.
- **Tariff and Trade Policy Risk:** Current and future tariffs, trade restrictions, sanctions, and other changes in trade policy implemented by the United States or foreign governments may materially affect the value and performance of client investments. Tariffs may increase the cost of imported goods and raw materials, disrupt global supply chains, reduce corporate profit margins, and alter consumer demand. These effects may negatively impact companies, industries, or sectors in which client portfolios are invested.

Tariffs and related trade measures may adversely affect fixed income securities, particularly those issued by companies that rely on imported inputs or foreign manufacturing, depend on exports or cross-border sales, operate in industries subject to targeted tariffs or retaliatory measures, or have significant exposure to countries involved in trade disputes.

Fixed income securities may be affected through changes in issuer credit quality, inflation expectations, interest rates, or currency values. Certain sectors (including manufacturing, technology, agriculture, energy, and consumer goods) may experience disproportionate impacts relative to the broader market.

While Merganser seeks to manage portfolios in light of prevailing economic and market conditions, including trade policy developments, there can be no assurance that Merganser will anticipate or successfully mitigate the effects of tariffs or related measures. Certain investments may be difficult to adjust or exit quickly due to market conditions, liquidity constraints, or investment strategy limitations.

There can be no guarantee that our portfolio management techniques will protect against losses resulting from tariffs, trade disputes, trade restrictions, or related economic effects. Clients should be prepared for the possibility of increased volatility and potential losses associated with changes in trade policy.

Please see “Geopolitical and Market Risks” below for further information.

- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it (a lengthy process) before they can generate a profit. They generally carry a higher risk of profitability than an electric company, which generates its income from

a steady stream of customers who buy electricity regardless of the economic environment.

- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Mortgage-Backed and Other Asset-Backed Securities Risk:** The value of mortgage-backed securities (“MBS”) and asset-backed securities (“ABS”) are impacted by the risk of underlying borrowers’ inability to meet their loan obligations. The interest and principal payments may vary based on the rate at which the underlying borrowers pay off their loans and the securities are subject to market risk, credit risk, extension risk, interest rate risk, prepayment risk and call risk. Moreover, MBS and ABS are sensitive to prevailing interest rate changes, which may lead to valuation issues and/or increased volatility or illiquidity of the securities. These securities may have less potential for capital appreciation during periods of falling interest rates which may result in more prepayments and Merganser may need to reinvest the proceeds at lower interest rates. When interest rates rise, the number of principal prepayments often declines which may lengthen the duration of the security. An account’s investment in asset-backed securities is also subject to the risks associated with the nature of the underlying assets which can negatively impact the price of the respective security. In the event of default, issuers may have limited ability to enforce the security interest in the underlying asset and to the extent applicable, any credit enhancements provided to support the securities may be inadequate. Asset-backed securities may be classified as pass-through certificates or collateralized obligations. Pass-through certificates are asset-backed securities that represent an undivided fractional ownership interest in an underlying pool of assets. Pass-through certificates usually provide for payments of principal and interest received to be passed through to their holders, usually after deduction for certain costs and expenses incurred in administering the pool. Because pass-through certificates represent an ownership interest in the underlying assets, the holders thereof directly bear the risk of any defaults by the obligors on the underlying assets not covered by any credit support. Asset-backed securities issued in the form of debt instruments, also known as collateralized obligations, are generally issued as the debt of a special purpose entity organized solely for the purpose of owning such assets and issuing such debt. Such assets are most often trade, credit card or automobile receivables. The assets collateralizing such asset-backed securities are pledged to a trustee or custodian for the benefit of the holders hereof. Such issuers generally hold no assets other than those underlying the asset-backed securities and any credit support provided. As a result, although payments on such

asset-backed securities are obligations of the issuers, in the event of defaults on the underlying assets not covered by any credit support, the issuing entities are unlikely to have sufficient assets to satisfy their obligations on the related asset-backed securities.

- **U.S. Government Securities Risk:** Obligations issued by agencies and instrumentalities of the US Government vary in the level of support they receive from the US Government. They may be: (i) supported by the full faith and credit of the US Treasury, such as those of the Government National Mortgage Association; (ii) supported by the right of the issuer to borrow from the US Treasury, such as those of the Federal National Mortgage Association (“Fannie Mae”); (iii) supported by the discretionary authority of the US Government to purchase the issuer’s obligations, such as those of the former Student Loan Marketing Association; or (iv) supported only by the credit of the issuer, such as those of the Federal Farm Credit Bureau. The maximum potential liability of the issuers of some US Government Securities may greatly exceed their current resources, including their legal right to support from the US Treasury. It is possible that these issuers will not have the funds to meet their payment obligations in the future. Although many types of US Government Securities may be purchased by Merganser on behalf of its clients, such as those issued by Fannie Mae, the Federal Home Loan Mortgage Corporation (“Freddie Mac”), the Federal Home Loan Banks, and other entities chartered or sponsored by Acts of Congress, their securities are neither issued nor guaranteed by the US Treasury and, therefore, are not backed by the full faith and credit of the US. The US Government may choose not to provide financial support to US Government sponsored agencies or instrumentalities if it is not legally obligated to do so, in which case, if the issuer defaulted, the holder of the securities of such issuer might not be able to recover its investment from the US Government. In 2008, the US Treasury and the Federal Housing Finance Administration (“FHFA”) announced that Fannie Mae and Freddie Mac would be placed into conservatorship under FHFA. and they each remain in conservatorship as of the date of this brochure. The future of the conservatorship remains subject to policy developments and regulatory action by FHFA and the U.S. Treasury

The ongoing effect that this conservatorship will continue to have on the entities’ debt and equities and on securities guaranteed by the entities is unclear. No assurance can be given that the US Treasury initiatives discussed above with respect to the debt and mortgage-backed securities issued by Fannie Mae and Freddie Mac will be successful. In addition, new accounting standards and future Congressional action may affect the value of Fannie Mae and Freddie Mac debt.

- **Credit Risk:** Excessive borrowing to finance a business' operations increases the risk of financial stress because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Extension & Prepayment Risk:** During periods of rising interest rates, the average life of certain types of securities is extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the security's duration and reduce the value of the security. During periods of declining interest rates, the issuer of a security exercises its option to prepay principal earlier than scheduled, forcing a client to reinvest in lower yielding securities. To the extent an account invests significantly in asset-backed and mortgage-related securities, its exposure to prepayment and extension risks may be greater than other investments in fixed income securities.
- **Counterparty Risk:** The institutions, including brokerage firms and banks, with which the Adviser (directly or indirectly) does business, or to which securities have been entrusted for custodial purposes, may encounter financial difficulties that impair the operational capabilities to trade security positions.
- **Allocation Risk:** Fixed-income securities may be divided into the following asset classes: (a) U.S. Treasuries, (b) government-related securities, (c) corporate-issued securities, and (d) securitized products. Since an asset class will perform differently from other asset classes in a given strategy, varying asset class exposure will enhance or hinder performance if a strategy favors an underperforming asset class at a given time.
- **Cybersecurity Risk:** Merganser, its service providers and other market participants depend on complex and often interconnected information technology and communications systems to conduct business functions. These systems are subject to a number of different threats and other risks that could adversely affect Merganser's clients, despite the efforts of Merganser and its service providers. Merganser maintains policies and procedures reasonably designed to protect the confidentiality, integrity, and security of nonpublic personal information ("NPI") of clients and investors in accordance with applicable federal and state laws, including Regulation S P. These policies include administrative, technical, and physical safeguards and an incident response program intended to detect, respond to, and recover from cybersecurity events and data security incidents. Merganser and its service providers have adopted technologies, processes and procedures intended to mitigate such risks and protect the security of their computer systems, software, networks and other technology assets, as well as the security,

confidentiality, integrity and availability of information belonging to Merganser and its clients.

Despite these efforts, Merganser's information systems and those of its service providers may be vulnerable to unauthorized access, cyberattacks, data breaches, employee error, social engineering, malicious code, ransomware, and other security incidents. A cybersecurity or data privacy incident, whether involving Merganser or a third party service provider, could result in the unauthorized disclosure, misuse, loss, or destruction of client or investor NPI. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, encrypt or otherwise prevent access to these systems of Merganser or its service providers and counterparties as well as the data stored by these systems, including investor information. Merganser and its service providers may be subject to ransomware or other attacks that could cause substantial business disruption or loss of availability of data that could prevent Merganser from executing its investment strategy or accessing an account, which could lead to financial losses. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of Merganser's systems to disclose sensitive information in order to gain access to Merganser's data or that of its clients or to transfer funds to unauthorized parties. A successful penetration or circumvention of the security of Merganser's systems by unauthorized third parties could result in the loss or theft of a client's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause Merganser, its clients or its service providers to incur regulatory penalties, reputational damage, additional compliance costs, increased insurance premiums or financial loss. In addition, Merganser may incur substantial costs related to investigation and remediation of the cybersecurity incident, increased and upgraded cybersecurity protections including its administrative, technical, organizational and physical controls, acts of identity theft, unauthorized use or loss of proprietary information, adverse investor reaction, increased insurance premiums or difficulties obtaining insurance coverage, or litigation, regulatory actions or other legal risks.

In certain circumstances, investors may bear losses resulting from cybersecurity or data privacy incidents, including incidents affecting third-party service providers, custodians, administrators, or other counterparties over which Merganser has limited or no control. While Merganser conducts due diligence and seeks to contractually require appropriate data security measures, it does not control the cybersecurity or information security programs of these third parties. A cybersecurity or data privacy incident involving a service provider may expose investor

information or disrupt services and may result in investor harm, even if Merganser's own systems are not compromised.

If an incident involving a client's material NPI occurs, Merganser's incident response program is designed to assess, contain, remediate, and notify affected parties as required by law. However, there can be no assurance that Merganser's safeguards or incident response measures will be effective in preventing or mitigating all cybersecurity or data privacy incidents or their impacts. There can be no assurance that Merganser's cybersecurity safeguards, incident response procedures, or compliance with Regulation S-P will prevent all data security incidents or eliminate the risk of investor harm. Cyber threats continue to evolve, and Merganser may be required to expend significant resources to enhance or modify its cybersecurity and data protection measures in the future.

Similar types of operational and technology risks are also present for the companies in which Merganser's clients invest, which could have material adverse consequences for such companies, and may cause those investments to lose value.

- **Public Health Emergencies:** Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, Ebola, and the coronavirus have resulted in market volatility and disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to the client accounts. The extent of the impact on Merganser and its clients will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of Merganser to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy Merganser intends to pursue for clients, all of which could adversely affect the Merganser's ability to fulfill clients' investment objectives. They may also impair the ability of parties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of Merganser may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency, including its potential adverse impact on the health of

personnel. These measures may also hinder our ability to conduct our affairs and activities as we normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing our ability to make accurate and timely projections of financial performance.

- **Climate Change:** Clients may acquire investments that are located in, or have operations or customers in, areas that are subject to climate change. Any investments located in or with customers in coastal regions may be affected by any future increases in sea levels or in the frequency or severity of hurricanes and tropical storms, whether such increases are caused by global climate changes or other factors. There may be significant physical effects of climate change that have the potential to have a material impact on the clients' business and operations. Physical impacts of climate change may include increased storm intensity and severity of weather (e.g., floods or hurricanes), sea level rise, fires, and extreme and changing temperatures. As a result of these impacts from climate-related events, the clients' investments may be vulnerable to the following: risks of property damage to the clients' investments; indirect financial and operational impacts from disruptions to the operations of the clients' investments from severe weather; increased insurance premiums and deductibles or a decrease in the availability of coverage for investments in areas subject to severe weather; decreased net migration to areas in which investments are located, resulting in lower than expected demand for both investments and the products and services of the clients' investments; increased insurance claims and liabilities; increase in energy costs impacting operational returns; changes in the availability or quality of water, food or other natural resources on which the clients' business depends; decreased consumer demand for consumer products or services resulting from physical changes associated with climate change (e.g., warmer temperature or decreasing shoreline could reduce demand for residential and commercial properties previously viewed as desirable); incorrect long-term valuation of an equity investment due to changing conditions not previously anticipated at the time of the investment; and economic distributions arising from the foregoing.
- **Geopolitical Economic and Market Risks:** Merganser and its clients can be adversely affected, directly or indirectly, by economic and political changes in the global markets and markets where we compete, which may be impacted by: inflation rates, recessions, foreign ownership restrictions and economic embargoes imposed by the United States; changes in laws, taxation, and regulations and the interpretation and application of these laws, taxes, and regulations; restrictions imposed by the U.S. government or foreign governments through exchange controls or taxation policy; nationalization or expropriation of property,

undeveloped property rights, and legal systems or political instability; other governmental actions; and other external factors over which we have no control. Economic and political conditions within the United States and abroad or strained relations between countries could result in fluctuations in demand, price volatility, loss of property, state sponsored cyberattacks, supply disruptions, or other disruptions. For example, the United States has recently imposed trade barriers on China, Mexico and Canada. An open conflict or war across any region significant to our business could result in closures, employee displacement, and an inability to obtain key supplies and materials. Our investments are subject to risks of credit defaults and changes in market values. Periods of macroeconomic weakness or recession, heightened volatility or disruption in the financial and credit markets could increase these risks, potentially resulting in an impairment of client investments. The impact of geopolitical tension, war, and other international conflicts, such as the Israeli-Hamas conflict and the ongoing military conflict between Russia and Ukraine, have caused disruption to global financial systems, trade and transport, among other things. In response, multiple other countries have put in place sanctions and other severe restrictions or prohibitions on certain of the countries involved, as well as related individuals and businesses. In addition, the Chinese government is engaged in a longstanding dispute with Taiwan, continually threatening an invasion. If the political climate between the United States and China does not improve, or continues to deteriorate, if China were to attempt invading Taiwan, or if other geopolitical conflicts develop or worsen, economies, markets and individual securities may be adversely affected, and the value of client accounts may go down. However, the ultimate impact of these conflicts and their effect on global economic and commercial activity and conditions, and on the operations, financial condition and performance of client accounts or any particular industry, business or investee country and the duration and severity of those effects, is impossible to predict.

Advancements in technology may also adversely impact markets and the overall performance of client accounts. For instance, the economy may be significantly impacted by the advanced development and increased regulation of artificial intelligence. These events, and other future events, may adversely affect the values and liquidity of client investments and could result in other market disruptions.

Please see “Tariffs and Trade Policy Risk” above for further information.

- **Custody and Banking Risks:** Merganser and the Funds maintain accounts with one or more banks or other depository institutions (“banking institutions”), which may include U.S. and non-U.S. banking institutions, and may enter into credit facilities or have other financial relationships with banking institutions. The distress, impairment or failure of one or more banking institutions with whom Merganser and/or

a Fund transact may inhibit the ability to access depository accounts at all or in a timely manner. In the event of such a failure of a banking institution, access to depository accounts could be restricted and U.S. Federal Deposit Insurance Corporation (FDIC) protection may not be available for balances in excess of amounts insured by the FDIC (and similar considerations may apply to banking institutions in other jurisdictions not subject to FDIC protection). In such instances, Merganser and/or a Fund may not recover such excess, uninsured amounts and instead, would only have an unsecured claim against the banking institution and participate pro rata with other unsecured creditors in the residual value of the banking institution's assets. The loss of amounts maintained with a banking institution or the inability to access such amounts for a period of time, even if ultimately recovered, could be materially adverse. In addition, a Fund's general partner and/or Merganser may not be able to identify all potential solvency or stress concerns with respect to a banking institution or to transfer assets from one bank to another in a timely manner in the event a banking institution comes under stress or fails.

## **Disciplinary Information**

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This item is not applicable to Merganser.

## **Other Financial Industry Activities and Affiliations**

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### **Affiliated Investment Advisers**

Merganser is affiliated with the related persons listed below.

- Providence Equity LLP: a foreign advisory affiliate organized in the United Kingdom and authorized to perform certain activities by the UK Financial Conduct Authority.
- Providence Equity Partners L.L.C ("Providence"): a U.S. registered investment adviser with the SEC.

Clients of Merganser may from time to time participate in transactions alongside other clients of Merganser or clients of an affiliated adviser.

Certain members of the board of directors of Merganser and indirect equity owners of Merganser are also employees and/or owners.

The affiliated advisers listed above (the "Providence Affiliates") are operated and managed separately from Merganser, and the Providence Affiliates do not have any involvement in the day-to-day investment operations of Merganser. Merganser does not direct or coordinate investment recommendations with the Providence Affiliates and all such recommendations and allocations of

investment opportunities are made by Merganser independent of the Providence Affiliates. As the Providence Affiliates operate separately and independently from Merganser, there is an information barrier in place so that Merganser does not provide access to the Providence Affiliates of any client portfolio transactions and Merganser does not have access to the Providence Affiliates' portfolio transactions.

For a description of material conflicts of interest created by the relationship among Merganser and the affiliated advisers, as well as a description of how such conflicts are addressed, please see "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" below.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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### **Code of Ethics**

The employees of Merganser have committed to a Code of Ethics which includes three main sections: (1) Conflicts of Interest, (2) Insider Trading, and (3) Employee Securities Reporting. The Code of Ethics requires each of Merganser's employees to deal honestly and fairly with all persons with whom he or she has contact. Employees always must place the interests of Merganser's clients first.

Employees must file transaction reports if they have a direct or indirect beneficial interest in securities. This beneficial interest extends to immediate family members sharing the same household, including spouse, child, stepchild, grandchild, parent, stepparent, grandparent, siblings, and in-laws. It also includes serving as a trustee or in any other fiduciary capacity, when the employee has trading authority over another person's account, and when the employee is a beneficiary of a trust and has input on security transactions. All reports are reviewed by the Chief Compliance Officer or designee.

Merganser will provide a copy of the Code of Ethics to any client or prospective client upon request.

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### **Participation or Interest in Client Transactions**

Employees may not buy or sell securities that are also held by clients. Exceptions to this policy are securities issued by the United States Treasury or other related governmental agencies. Employees are required to comply with the provisions of the Merganser Compliance Manual.

The Adviser and certain related vehicles of the Adviser and its affiliates invest in the Funds as direct investors in the Funds.

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## **Personal Trading**

The Chief Compliance Officer of Merganser or designee reviews all employee trades each quarter. It is not necessary to report positions in the following: (a) shares of open-end mutual funds where Merganser is not an adviser or sub-adviser, (b) bank certificates of deposit, (c) securities of the United States Government and its agencies, and (d) Israeli savings bonds. The Chief Compliance Officer's trades are reviewed by the Chief Financial Officer or designee. The personal trading reviews seek to ensure that employees' personal trading does not affect the markets, or conflict with Merganser's fiduciary duty to its clients.

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## **Conflicts of Interest**

The Adviser and its affiliates engage in a broad range of activities, including investment activities for clients, for their own account and for the accounts of their clients. Certain affiliates of the Adviser provide transaction-related, advisory, management and other services to operating companies. The Adviser has described various conflicts of interest that may arise in respect of its business, as well as a description of how the Adviser addresses such conflicts of interest, below. The discussion below does not describe all conflicts that may arise. While the Adviser endeavors to resolve all conflicts in a fair and impartial manner, there can be no assurance that its own interests will not influence its conduct and decisions.

### **Potential Conflicts**

The potential material conflicts of interest encountered by a client include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a client account. Other conflicts may be disclosed throughout this brochure and in the organizational documents of a Fund and the brochure and the applicable Fund's organizational documents should be read in their entirety for other conflicts.

### **Potential Conflicts of Interest Related to Advisory Affiliates**

Merganser is affiliated with other investment advisers, as described in "Other Financial Industry Activities and Affiliations" above. Providence focuses primarily on different investment strategies than those of Merganser, although such investment strategies may overlap from time to time, and is an investment adviser that is registered with the SEC. Clients of Merganser and Providence may invest in the same companies, including in the same security or in different securities of such company. In the ordinary course of conducting its activities, interests of Merganser's clients may therefore conflict with the interests of the clients of Providence Other than Providence the investment adviser affiliates of Merganser do not have their own clients. Generally, however, conflicts between the Adviser and its affiliates are mitigated because the Adviser and its affiliates are separately operated and do not share trading or investment information. As the Providence Affiliates operate separately and independently from Merganser, there is an information barrier in place so that Merganser does

not provide access to the Providence Affiliates of any client portfolio transactions and Merganser does not have access to its direct and indirect affiliate's portfolio transactions.

### **Cross-Transactions**

A cross-transaction generally refers to a transaction where one client managed by the Adviser or its affiliates seeks to acquire an investment that another client of the Adviser seeks to sell. Cross-transactions may create conflicts of interest because a client is on both sides of the transaction. The Adviser may on occasion purchase a security or securities for one client at the same time as a sale of the same security or securities for another client or may effect cross-transactions between clients. In most instances, such transactions will be effected to rebalance the positions held by the client with a view towards achieving uniform results among certain clients in light of differing cash flows due to subscriptions and redemptions. Such transactions in publicly traded securities generally will be effected at the last sale price at the end or the first sales price at the beginning of the trading day through one or more broker-dealers, and in accordance with the clients' IMAs and/or organizational documents, if applicable.

### **Conflicts Related to Purchases and Sales**

Certain affiliates of the Adviser may buy or sell securities or other instruments that the Adviser has recommended to clients. In addition, certain affiliates, officers, principals, or employees may buy securities in transactions offered to, but rejected by, clients. Such transactions are subject to the policies and procedures set forth in the Adviser's Code of Ethics. The investment policies, fee arrangements, and other circumstances of these investments may vary from those of the Adviser's clients. Certain affiliates of the Adviser may invest in and alongside clients. If such affiliates of the Adviser have made large capital investments in or alongside clients they may have conflicting interests with respect to these investments. Generally, however, these conflicts between the Adviser's clients and its affiliates and their clients are mitigated because the Adviser and its affiliates are separately operated and do not share trading or investment information. As the Providence Affiliates operate separately and independently from Merganser, there is an information barrier in place so that Merganser does not provide access to the Providence Affiliates of any client portfolio transactions and Merganser does not have access to the Providence Affiliates' portfolio transactions.

Conflicts may arise when a client makes investments in conjunction with an investment being made by another client or a client of the Adviser's affiliate, or in a transaction where another client or client of such an affiliate has already made an investment. Investment opportunities may be appropriate for a client and/or clients of the Adviser's affiliate at the same time, at different or overlapping levels of a company's capital structure. Conflicts may arise in determining the terms of investments, particularly where these clients may invest in different types of securities in a single company such as debt and

equity, or different levels of debt. Questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, whether payments should be accelerated, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work out or restructuring or other concessions that may be given in such a situation raise conflicts of interest, and the Adviser may be incentivized to choose a course of action that benefits one client to the detriment of another client. Investments by more than one client of the Adviser or its affiliates in a given company may also raise the risk of using assets of a client of the Adviser or its affiliates to support positions taken by other clients of the Adviser or its affiliates. There can be no assurance that the return of a client participating in a transaction would be equal to and not less than another client participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

From time to time, Merganser may invest in certain structured securities where an affiliate may have contributed collateral to a non-affiliate's underwriting. Merganser shall not participate in a new issue where the affiliate's collateral is a material contribution to the deal. The CCO or designee shall approve all participation based on various factors. Moreover, Merganser shall not have any limitations on such transactions in the secondary market due to the distance of the transaction to the affiliate.

### **Allocations**

Each client is permitted to pursue investment opportunities similar to those pursued by another client. The allocation of investment opportunities among clients will be determined by the Adviser in its good faith judgment and in accordance with the organizational documents and IMAs of the relevant clients. Allocation decisions can raise conflicts, for example, if clients have different fee structures. Subject to a client's investment guidelines, IMA, and the Adviser's policies, the Adviser generally allocates investment opportunities among eligible clients on a pro rata basis based upon account size. Other contributing factors or deviations from pro rata allocations include (i) client investment guidelines, (ii) sector and issuer diversification, (iii) cash available for investment, (iv) realized gain/loss limitations, (v) new client startups, (vi) anticipated cashflows, (vii) client terminations and (viii) liquid lot sizes. The Adviser makes allocation determinations based on the Adviser's expectations at the time such investments are made, however investments and their characteristics may change and there can be no assurance that an investment may prove to have been more suitable for another client in hindsight.

### **Management of the Client Accounts**

It is expected that employees of the Adviser responsible for managing a particular client will have responsibilities with respect to other client accounts, including client accounts that may be established in the future. Conflicts of

interest may arise in allocating time, services, or functions of these employees between client accounts. These employees have an incentive to allocate more time, services or functions to accounts from which such employees derive a higher economic benefit and/or better performing accounts.

### **Diverse Membership – Pooled Investment Vehicle Investors**

The investors in the Funds and mutual funds may include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such investors may have conflicting investment, tax, and other interests with respect to their investments in a pooled investment vehicle. The conflicting interests among the investors may relate to or arise from, among other things, the nature of investments made by a pooled investment vehicle, the structuring of the acquisition of investments and the timing of the disposition of investments. Consequently, conflicts of interest may arise in connection with decisions made by the Adviser, including with respect to the nature or structuring of investments, that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for a pooled investment vehicle, the Adviser will consider the investment and tax objectives of the applicable pooled investment vehicle and the investors as a whole rather than the investment, tax or other objectives of any investor individually.

## **Brokerage Practices**

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### **Selecting Brokerage Firms**

Selecting qualified brokers is critical to meeting an adviser's fiduciary obligations to its clients. Merganser oversees the selection of brokers and maintains a list of approved brokers with which it does business. The selection of a broker is based on its financial soundness and its ability to service the Adviser's clients. The criteria used include but are not limited to the following:

- The financial condition of the broker
- Its trading capabilities
- Its operations
- Its disciplinary history

Merganser monitors the relationships with the brokers to ensure that they maintain the capacity to continue serving the Adviser's clients.

Merganser does not receive fees or commissions from any of these arrangements. Merganser is not affiliated with any brokers.

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### **Best Execution**

Merganser has a fiduciary obligation when executing transactions for a client to seek the most favorable terms available given the circumstances surrounding the transaction. Merganser will usually accept the best price when

executing a trade for a client but may also consider the full range and quality of a broker's services, along with its financial condition. Merganser maintains relationships with a broad broker network. Merganser will not use client brokerage to pay for client referrals or to achieve any other financial benefit (even at the expense of obtaining lower transaction fees).

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### **Soft Dollars**

Merganser does not have any "soft dollar" arrangements, receive payments for order flow, receive any goods or services for using a broker, have any financial interest in market makers, have any affiliated brokers, or act as a principal in trades. Brokers may send research to Merganser on a voluntary basis. There is no obligation for Merganser to reciprocate by directing trades to these brokers, and Merganser does not consider research and non-execution services in selecting brokers to execute client transactions.

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### **Directed Brokerage**

Merganser will not enter into a client directed brokerage arrangement unless specifically directed to do so in writing by a client, nor will Merganser execute any client directed brokerage transactions unless instructed to do so in writing by a client. A client who directs Merganser to use a particular broker-dealer to effect transactions should consider whether such direction may result in certain costs or disadvantages to the client. Such costs may include higher brokerage commissions (because Merganser may not be able to aggregate orders to reduce transaction costs) and less favorable execution of transactions. By permitting a client to direct Merganser to execute the client's trades through a specified broker-dealer, Merganser will make no attempt to negotiate commissions on behalf of the client and, as a result, in some transactions such clients may pay materially disparate commissions depending on their commission arrangement with the specified broker-dealer and upon other factors such as number of shares, round and odd lots and the market for the security. The commissions charged to clients that direct Merganser to execute the client's trades through a specified broker-dealer may in some transactions be materially different than those of clients who do not direct the execution of their trades. Clients that direct Merganser to execute the client's trades through a specified broker-dealer may also lose the ability to negotiate volume commission discounts on batched transactions that may otherwise be available to other clients of Merganser. Merganser will not be the beneficiary of any directed brokerage.

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### **Order Aggregation**

Each of Merganser's portfolios is generally unique regarding the securities that it holds and in many cases the investment guidelines by which it is managed. When the Adviser purchases securities, frequently it is looking for a particular type of security to meet the needs of a specific client's portfolio. In other

instances, Merganser may purchase a security that represents an attractive value for several portfolios and allocate it among them.

Investment decisions for each client are made independently from those of other clients. Should the same investment decision be made for more than one client, Merganser may aggregate securities to be purchased or sold to obtain a more favorable price for all participating client accounts. All client portfolios that participate in an aggregated trade will receive the same unit price. Merganser will allocate trades to shape each portfolio to meet the client's objectives. When allocating trades, Merganser will not favor portfolios based either on the fees they pay or whether they are proprietary.

If there is an inadequate quantity of the security to allocate it to all eligible accounts (lot size for each allocation will be at a level that in the Adviser's judgment facilitates trading and minimizes costs), Merganser will allocate the security in a fair and equitable manner, considering how the addition of the security will affect the overall portfolio construction. Other contributing factors or deviations from pro rata allocations include (i) client investment guidelines, (ii) sector and issuer diversification, (iii) cash available for investment, (iv) realized gain/loss limitations, (v) new client startups, (vi) anticipated cashflows, (vii) client terminations and (viii) liquid lot sizes.

## **Review of Accounts**

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### **Periodic Reviews**

Portfolios are reviewed by the portfolio manager or designee on a regular basis to ensure investments remain appropriate. The tools, methods and reports utilized typically include but are not limited to:

- Daily portfolio characteristic reports
- Daily cash availability forecast
- Daily compliance reports
- Daily account review meetings
- Weekly investment strategy meetings
- Periodic client meetings and conference calls
- Monthly client reports
- Monthly performance attribution reports

### **Review Triggers**

Other conditions that may trigger a review are changes in regulations, new investment information, changes in the economy, current events, and a client's specific situation.

### **Regular Reports**

Unless otherwise agreed with a client, Merganser will, on a monthly basis, send each separately managed account client an investment report showing the

asset positions at the end of the period, transactions during the period, and the investment performance for the period. Separately managed account clients may also request different reports than normally provided, and Merganser will attempt to meet client-reporting needs where practical.

Clients should make arrangements for their custodian to also provide them with a list of transactions and assets priced at the end of the period. Merganser does not choose the custodian for its separately managed account clients.

A Fund's investors receive reports from the Fund pursuant to the terms of each Fund's offering memorandum. Generally, and except as set forth in a Fund's organizational documents, such investors receive a monthly report showing the Fund's transactions and holdings, the characteristics of the underlying portfolio and the Fund's performance.

## **Client Referrals and Other Compensation**

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### **Referrals**

Merganser does not have any arrangements to compensate third parties for client referrals or arrangements with non-clients to provide any economic benefits to Merganser or its employees in connection with advice or other advisory services.

## **Custody**

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### **Account Statements**

The Advisers Act imposes requirements on investment advisers that have custody of client assets. These requirements include the establishment of policies and procedures designed to prevent the misappropriation of assets. The rule requires assets to be held by a qualified custodian and investment advisers to have a reasonable belief that the custodian provides at least quarterly statements to the client.

Merganser does not have custody of the assets of its separately managed account clients. Merganser does not select custodians for separate account clients, nor does Merganser make arrangements for a custodian to furnish the client with statements containing a list of assets and account activity. Clients are urged to compare their account statements with those received from the custodian.

Merganser is deemed to have custody over the assets of the Funds. Annually, an independent public accounting firm audits the Funds and audited financial statements are distributed to Fund investors within 120 days of the fiscal year end (December 31<sup>st</sup>). Assets for the Fund are held by a qualified custodian (BNY Mellon Asset Servicing). Merganser sends monthly statements to the Fund investors utilizing BNY Mellon accounting data. Fund investors are urged

to compare these reports with statements supplied directly from BNY Mellon, which are available upon request. Participants may contact BNY Mellon Asset Servicing if they would like to receive statements directly from the custodian.

## **Investment Discretion**

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Merganser accepts discretionary authority to manage securities accounts on behalf of clients. For such accounts, Merganser has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. Please see “Advisory Business” above for a description of the limitations a client may place on Merganser’s discretionary authority.

Discretionary trading authority facilitates placing trades for client accounts on their behalf so that Merganser may promptly implement the investment policy that they have approved in writing.

## **Voting Client Securities**

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As a fixed income adviser, Merganser does not normally receive proxies to vote for its clients' accounts. In some instances, a client’s IMA reserves responsibility for voting proxies to the client. In the rare instance that a proxy is received that requires a vote by Merganser, the following procedures will be followed:

For all money market mutual fund proxies, Merganser will generally vote to approve all auditor, director and legal counsel requests. For all non-money market mutual fund proxies, Merganser will determine its recommendation for voting the proxy and, unless Merganser has been directed by the client to vote all proxies without further consultation, Merganser will advise the client of the recommendation and the client will make the final decision on how to vote. Merganser will generally vote a proxy on behalf of a client in a manner that Merganser expects will maximize the financial interests of such client. Information about how Merganser voted client proxies is available to clients upon request.

In addition, Merganser will provide a copy of its proxy voting policies and procedures to any client or prospective client upon request.

## **Financial Information**

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This item is not applicable to Merganser.

## Requirements for State-Registered Advisers

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This item is not applicable to Merganser.