

Axonic Capital LLC

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This brochure provides information about the qualifications and business practices of Axonic Capital LLC, a Delaware limited liability company (“**Axonic**”, the “**Firm**”, “**we**”, “**us**” or “**our**”). If you have any questions about the contents of this brochure, please contact Chris Hughes, the Firm’s Chief Compliance Officer (“**CCO**”), at (212) 259-0430.

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

Additional information about Axonic is available on the SEC’s website at www.adviserinfo.sec.gov.

Axonic is an SEC-registered investment adviser. Registration does not imply a certain level of skill or training.

Item 2: Material Changes

This brochure contains certain changes from the brochure which was filed with the SEC on March 31, 2025. The material changes are as follows:

Axonic Capital LLC (“Axonic”) is now managing these funds listed in Item 4:

- Axonic Commercial Real Estate Master Fund III, LP, Axonic Commercial Real Estate Offshore Fund III, LP and Axonic Commercial Real Estate Overflow Fund III, LP; and
- Axonic Special Opportunities SBL RF Fund, LP

Axonic is not managing the following funds:

- Axonic Private Credit Master Fund I, LP and (i) its feeder funds: Axonic Private Credit Fund I, LP and Axonic Private Credit Overseas Fund I, LP; and
- Axonic Commercial Real Estate Debt Fund 3, Ltd.

The regulatory assets under management have been updated.

Items 3, 4, 5, 7, 8, 9, 10, 11, 12, 13, 14, 15 and 16 have been updated

In the future, we will use this section to report any material changes.

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Item 4: Advisory Business

Formed in December 2010, Axonic Capital LLC (“**Axonic**”) serves as investment manager to the investment funds and other clients described below. Clayton DeGiacinto is the principal owner of, and controls, Axonic, which is dependent on the services of Mr. DeGiacinto and other key personnel to perform its services to its clients.

Axonic manages the following structured credit funds (“**Structured Credit Funds**”):

- Axonic Credit Opportunities Master Fund, LP and its feeder funds: Axonic Credit Opportunities Overseas Fund, Ltd. and Axonic Credit Opportunities Fund, LP
- OC 523 Master Fund, Ltd.
- Axonic PG Structured Credit Fund, LP, and its feeder fund: Axonic PG Structured Credit Overseas Fund, Ltd.
- Axonic Special Opportunities SBL Master Fund, LP, and its feeder funds: Axonic Special Opportunities SBL Overseas Fund, Ltd. and Axonic Special Opportunities SBL RF Fund, LP
- Axonic CRE Distressed Fund, LP
- Burgundy 523 Offshore Fund, Ltd.
- Axonic Commercial Real Estate Fund II, LP
- Axonic Commercial Real Estate Debt Master Fund, LP and its feeder funds: Axonic Commercial Real Estate Debt Fund, Ltd, Axonic Commercial Real Estate Debt Fund 4, Ltd, Axonic Commercial Real Estate Debt Fund 5, Ltd, and Axonic Commercial Real Estate Debt Fund 6, Ltd
- Axonic Structured Opportunities Master Fund, LP and its feeder funds: Axonic Structured Opportunities Fund, LP and Axonic Structured Opportunities Overseas Fund, LP
- Axonic Multifamily Bridge Master Fund, LP, and its feeder funds: Axonic Multifamily Bridge Fund, LP and Axonic Multifamily Bridge Overseas Fund, Ltd.
- Axonic Real Estate Debt Fund I LLC and its wholly owned subsidiary: Axonic Real Estate Debt Fund I Operating Company LLC
- Axonic Coinvest I, LP
- Axonic SASB I, LP
- Axonic International Fund, LP
- Axonic Commercial Real Estate Master Fund III, LP, and its feeder funds: Axonic Commercial Real Estate Fund III, LP and Axonic Commercial Real Estate Offshore Fund III, LP; and its overflow fund: Axonic Commercial Real Estate Overflow Fund III, LP
- Ax Southeast Loan Investor LLC
- Axonic Coinvest II, LP
- AxHATL LLC
- AxCXP Investor LLC

Axonic manages the following systematic arbitrage funds (“**Systematic Arbitrage Funds**”):

- Axonic Systematic Arbitrage Master Fund, LP, and its feeder funds: Axonic Systematic Arbitrage Overseas Fund, Ltd. and Axonic Systematic Arbitrage Fund, LP.

The Structured Credit Funds and the Systematic Arbitrage Funds are herein collectively referred to as the **“Funds.”**

Axonic is an advisor to the following funds registered as an investment company under the Investment Company Act of 1940, as amended (the “1940 Act”):

- Axonic Alternative Income Fund (the “1940 Act Interval Fund”)
- Axonic Strategic Income Fund (the “1940 Act Daily Fund” and together with the 1940 Act Interval Fund, the “1940 Act Funds”)

Axonic’s “clients” consist of the Funds, the 1940 Act Funds and certain managed accounts, and its investment advice is tailored to the principal investment objective for each client. See Item 8: Methods of Analysis, Investment Strategies and Risk of Loss. Investment restrictions (if any) for each client are set forth in the offering documents for the applicable Fund or 1940 Act Fund or the investment management agreement for the applicable managed account.

Investors in the Funds include limited partners in feeder Funds organized as limited partnerships and stockholders in feeder Funds formed as companies and are referred to herein collectively as the **“Investors.”**

The Firm and the general partners of the Funds organized as limited partnerships are controlled, and, directly or indirectly, principally owned, by Clayton DeGiacinto. Accordingly, the Firm, these general partners and certain of the Funds may be deemed to be under common control.

As of December 31, 2025, Axonic managed \$5,591,276,904 in regulatory assets under management and \$2,884,653,254 in net assets on a discretionary basis on behalf of its clients.

Item 5: Fees and Compensation

The fees and compensation applicable to each client are set forth in detail in that client’s offering documents if the client is a Fund or 1940 Act Fund or investment management agreement if it is a managed account, and are summarized below.

Management and other Fees

While specific to each client, as compensation for investment advisory services rendered, Axonic charges a management fee calculated at the annual rate of up to 2.00% of the client’s or Investor’s net assets, invested capital, capital commitment or the outstanding principal balance of the relevant underlying debt instrument, as applicable (the **“Management Fee”**). The Management Fee (if any) is generally paid monthly, quarterly or semi-annually, in advance or arrears, as applicable, as of the first or last day of the relevant calendar month or quarter or semi-annual period (subject to adjustment, where required, for contributions or commitments made during the relevant period). The Management Fees are negotiable and we have and may continue to waive or reduce the Management Fees for Investors that are members, principals, employees or affiliates of Axonic, relatives of those persons, trusts formed by or for the benefit of those persons and their relatives, and for certain large or strategic Investors. Axonic and its affiliates may receive origination or other fees from borrowers, counterparties or clients in respect of certain loans originated by or on behalf of clients or in connection with certain other transactions.

Performance Fees and Allocations

While specific to each client, Axonic or an affiliate may receive an annual performance fee or allocation of up to 20.0% of each Investor's annual net profits (the "**Annual Performance Fee or Allocation**"), if any, subject, in general, to a "loss carry forward" provision and, in certain cases, to Investor's receiving a return of and/or a certain return on, their invested capital (the "**Performance Fees or Allocations**"). Performance Fees or Allocations may also be required to be paid on a withdrawal or redemption by an Investor.

The Performance Fees or Allocations are negotiable for Investors and we have and may continue to waive or reduce the Performance Fees or Allocation for Investors that are members, principals, employees or affiliates of Axonic, relatives of those persons, trusts formed by or for the benefit of those persons and their relatives, and for certain large or strategic Investors. Any Performance Fee or Allocation arrangement could create a conflict of interest and/or an incentive for Axonic to make investments that are riskier or more speculative than would be the case in the absence of the arrangement.

Withdrawal Fee

While specific to each client, Investors in certain Funds may pay withdrawal fees of 5% to 10% for certain capital withdrawals. Withdrawal fees are generally deducted from amounts to be distributed to Investors upon redemption, and may be retained by the relevant Fund or paid to us. The withdrawal fees are negotiable for Investors and we may waive or reduce the withdrawal fees for Investors that are members, principals, employees or affiliates of Axonic, relatives of those persons, and for certain other Investors.

Expenses

In addition to the Management Fees, Performance Fees and Allocations and withdrawal fees, in general, each client generally will be subject to expenses, including but not limited to (i) investment-related expenses (whether related to transactions that are consummated or unconsummated), such as brokerage commissions and fees, research, due diligence, acquisition and surveillance expenses (including data and software fees, conferences, related travel and lodging expenses, legal fees and expenses, and appraisal fees and expenses), interest on margin accounts and other indebtedness, clearing and settlement charges, custodial fees, bank service fees and other expenses related to the purchase, sale, financing or transmittal of such client's assets and (ii) other expenses related to the operation and administration of such client, including, where relevant, fund administrator fees and expenses, directors' and advisors' fees and expenses, fees and expenses for legal, client compliance (including expenses related to various filings (or portions thereof) that Axonic is required to make as a result of managing a client's portfolio, including Form PF and Annex IV under AIFMD, tax and withholding tax compliance that Axonic or a client undertakes, including under Common Reporting Standard (CRS), the Foreign Account Tax Compliance Act (FATCA), and anti-money laundering / know-your customer compliance that Axonic or a client undertakes), accounting, auditing, tax and other professionals, insurance premiums (including for E&O and D&O insurance and fidelity bonds), organizational and offering expenses (in certain cases), third-party valuation agent fees, licensing and filing fees, taxes and other governmental charges, and litigation and indemnification expenses. In general, the feeder Funds will indirectly share the administrative and other expenses of the related master Funds pro rata based upon their interests in the related master Fund. Axonic (or an affiliate) has formed and owns, and may in the future form and own, one or more affiliates to hold licenses to enable the clients to originate, hold, finance and/or securitize loans. Each participating client will be responsible for its allocable portion of the expenses related to forming and maintaining these

entities and obtaining and maintaining these licenses. The Structured Credit clients that own interests in real property will also incur expenses related to its real estate investments (whether related to transactions that are consummated or unconsummated) and leasing and operating activities. Certain clients may also incur income, withholding, value added, property, sales, transfer and other taxes. Some expenses may be capitalized. Please refer to Item 12 of this brochure for a discussion of Axonic's brokerage practices. In connection with certain Structured Credit client's investment in securities backed by commercial real estate loans, Axonic may negotiate to appoint a servicer for the underlying loans and in connection with that appointment require the servicer to rebate to Axonic (on behalf of such client) a portion of the fees payable to the servicer by the trust or similar entity holding the loans. Any such amounts received by Axonic from these servicers will reduce on a dollar-for-dollar basis the management fee and/or expense reimbursement amounts payable to Axonic by such client (in proportion to each Structured Credit client's interest in such securities).

Side Letters

Axonic has and may in the future enter into agreements (sometimes referred to as "**side letters**") with certain prospective, initial or existing Investors whereby such Investors may be subject to terms and conditions that are more advantageous than those set for other Investors. For example, such terms and conditions may provide for special rights to make future investments in the Funds, other investment vehicles or managed accounts; a reduction or rebate in Management Fees and/or Performance Fees or Allocations to be paid by the Investor; rights to receive reports from the Funds on a more frequent basis or that include information not provided to other Investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights which we may negotiate with such Investors. The terms of such side letters are provided solely at our discretion and may be based upon the size or timing of the Investor's investment in the Funds (or in an affiliated entity), an agreement by the Investor to maintain such investment in the Funds for a certain period of time, or a similar or other type of commitment made by an Investor.

Other Compensation

The Funds may enter into transactions and conduct business with Axonic affiliates, and their respective principals, members and employees (hereinafter collectively referred to, together with Axonic, as the "**Axonic Persons**"), and such transactions and business should be considered as generating additional compensation for Axonic Persons. While such transactions and business will be on terms no less favorable than those that Axonic believes would be available from an independent third party, such transactions may create a conflict of interest. The clients may enter into transactions and conduct business with Funds and third parties, and Axonic Persons may also conduct business with and invest in these same Funds and third parties and may receive discounts and accommodations (which may be material) from such third parties as a result of the business generated by the clients for such third parties, and such arrangements should be considered as generating additional compensation for Axonic Persons.

Payment Methods

Fees and expenses may be deducted from client accounts or billed to the client, depending on the arrangement with the relevant client.

Item 6: Performance-Based Allocations and Side-By-Side Management

As stated in Item 5: Fees and Compensation, Axonic or an affiliate receives a Performance Fee or Allocation in relation to certain clients.

The fact that Axonic and/or its affiliates are compensated through performance-based compensation may create an incentive for us to make investments that are riskier or more speculative, and/or to obtain greater leverage thereon, than would be the case in the absence of such compensation. In addition, in certain cases, the Performance Fee or Allocation may be based both on realized and unrealized gains and losses and, as a result, the Performance Fee or Allocation which we earn could be based upon unrealized gains that Investors may never realize.

In our allocation of investment opportunities to clients, the Performance Fee or Allocation could create an incentive for us to favor a higher or lower allocation of certain opportunities to certain clients over other clients. We have procedures in place aimed at preventing conflicts and that are intended to ensure that all clients are treated fairly and to prevent any potential conflicts from influencing our investment recommendations and the allocation of investment opportunities among clients. Please refer to Item 12 of this brochure for further information. Our procedures are intended to ensure fair and equitable allocation among clients. These areas are monitored by the CCO.

No other hourly or flat fees are charged. Management Fees for certain clients may be calculated by reference to the outstanding principal balance of the underlying debt instruments.

Item 7: Types of Clients

Axonic provides investment advisory services directly to its clients. Clients and Investors in the clients may include high net worth individuals, pension plans and retirement accounts, endowments, foundations, trusts, estates or charitable organizations, other funds (including other Axonic-managed Funds), family offices, private banks, investment managers, 1940 Act funds, insurance companies, and other individuals and corporate or business entities for which such investment is suitable.

Details concerning applicable Investor suitability criteria and minimum investment amounts are set forth in the relevant Funds' offering documents and subscription materials, as pertinent. Although we and our affiliates have the authority to accept subscriptions for lesser amounts, the minimum initial investment in the Funds is generally \$1 million. In general, each Investor is required to meet certain suitability qualifications, such as being an **"accredited investor"** for purposes of Regulation D under the Securities Act of 1933, as amended, and a **"qualified client"** for purposes of Rule 205-3 under the Investment Advisers Act of 1940 (the **"Advisers Act"**).

Additionally, Investors in certain Funds must meet the criteria for **"Qualified Eligible Persons"** under Section 4.7 of the rules of the Commodity Futures Trading Commission (the **"CFTC"**).

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

The descriptions set forth in this brochure of specific advisory services that we offer to clients, and investment strategies pursued and investments made by us on behalf of clients, should not be understood

to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this brochure, that we consider appropriate, subject to each client's investment objectives and guidelines.

The following is a summary of the strategies and methods Axonic uses in formulating advice or managing assets for its clients.

Methods of Analysis and Investment Strategy

Structured Credit Clients

In general, the Structured Credit clients' (which include the Structured Credit Funds, the 1940 Act Funds and certain separately managed accounts) principal investment objective is to achieve a positive return on capital by primarily investing in structured credit products. Structured credit products include public and private U.S. and non-U.S. mortgage-backed securities ("MBS") and consumer-receivable-backed securities including commercial mortgage-backed securities ("CMBS"), whole residential and commercial mortgage loans and participations, commercial mortgage mezzanine loans and participations ("Mezzanine Loans"), residential mortgage-backed securities ("RMBS"), asset-backed securities ("ABS"), collateralized loan obligations ("CLO"), collateralized debt obligations ("CDO"), corporate and bank-issued bonds, loans and participations, consumer loans and participations, real estate investment trust ("REIT") stock and other equity securities and indices, various single-name and index credit default swaps (cleared and uncleared), and any other instruments or investments Axonic deems appropriate in order to achieve the relevant client's investment objective, including, without limitation, interest only ("IO") securities and inverse IO securities, loan acquisitions and other loan-related activities such as the acquisition of non-qualified mortgage loans and the acquisition and resolution of pools of U.S. and non-U.S. non-performing loans and/or real estate owned ("REO") following foreclosure. In addition, various cleared and uncleared over the counter and exchange traded derivatives, including various swaps, options, swaptions, futures and forward agreements (both listed and over-the-counter) on various financial instruments, equity securities and indices, debt instruments and indices, government securities, treasuries, currencies and commodities may be used for speculative or hedging purposes. Financial instruments traded by the Structured Credit clients may be fixed, floating or inverse floating; interest-only or principal-only; of any maturity or no maturity; performing or distressed; senior or subordinate; or secured or unsecured. Positions may be leveraged, and may be financed by various sources of funding, including bank lines, margin trading, short positions, derivatives, including total return swaps, repurchase arrangements, participations and securitization transactions.

In general, the investment strategy for the Structured Credit clients relies primarily on three components: (i) our ability to identify and purchase (or sell short) appropriate securities, (ii) an intensive analytical approach to risk management and portfolio construction and (iii) our ability to construct a blended portfolio of risk-based assets and, if applicable, hedges with a return profile over time that demonstrates increased total return while mitigating discrete risks. Axonic carries out the investment process and risk control procedures by applying various valuation tools including our own risk and valuation pricing model.

Systematic Arbitrage Clients

In general, the Systematic Arbitrage clients' (which include the Systematic Arbitrage Funds and may, in the future, include certain separately managed accounts) principal investment objective is to achieve a positive return on capital by primarily investing in derivatives (including forward contracts) on U.S. agency mortgage-backed securities, global fixed income and credit derivative markets. To achieve its investment objective, the Systematic Arbitrage clients use a quantitative investment strategy and may invest in U.S. agency mortgage-backed securities and derivatives thereon (including forward contracts), interest rate swaps, swaptions, fixed-income futures and options, as well as equity and FX variance swaps. In addition, derivatives, both listed and over-the-counter, such as options, futures, forwards and variance swaps on various financial instruments, U.S. and non-U.S. mortgage-backed securities, such as residential mortgage-backed securities, equity securities, government securities, treasuries, currencies and commodities, exchange traded funds, single-name and index credit default swaps and options and inflation swaps may be used for speculative or hedging purposes. Positions may be leveraged, and may be financed by various sources of funding, including bank lines, margin trading, short positions and repurchase arrangements.

In general, the Systematic Arbitrage clients' investment strategy relies primarily on three components: (i) our ability to identify persistent inefficiencies and relative value opportunities based on a set of robustly tested systematic rules; (ii) an intensive analytical approach to risk management and portfolio construction; and (iii) our ability to construct a blended portfolio of risk-based assets and hedges with a return profile over time that demonstrates increased total return while mitigating discrete risks. Axonic carries out the investment process and risk control procedures by using a quantitative signal generation and risk framework.

Risk Factors**A. Certain Risks of Fund Investments**

General. Acquiring an interest in a private investment fund involves a number of risks, including complete loss of investment. An investment in the Funds may be deemed a speculative investment and is designed for sophisticated Investors who fully understand and are capable of bearing the risk of the investment. No guarantee or representation is made that a Fund will achieve its investment objective or that Investors in a Fund will receive a return on or of their capital. The description contained below is a brief overview of different material risks related to the investment strategy and an investment in a Fund, 1940 Act Fund or other client. This list does not purport to be a complete enumeration or explanation of the risks involved in our strategy or an investment in the Funds. 1940 Act Funds or other clients and each of the risk factors described below may not be applicable to each client.

Limitations on Redemptions and Transfers of Interests in the Funds. An Investor's investment in a Fund is subject to the structure and terms of that Fund as set forth in that Fund's offering documents and subscription materials. Although Investors in certain Funds may request redemption of their interests on available redemption dates, the Funds may impose limitations on redemptions and may delay payment of a portion of the redemption proceeds. There is no public market for interests in the Funds and those

interests may not be sold, assigned, or transferred without our consent. Interests in the Funds will not be registered under federal or state securities laws and may not be transferred unless registered under applicable federal and state securities laws or unless an exemption from such registration is available. An investor in a 1940 Act Fund should review the 1940 Act Fund's prospectus for information concerning the 1940 Act Fund's limitations on redemptions and transfer.

B. Macroeconomic and General Market Risks

General Economic Risks and Market Conditions. The success of the clients' investment activities will be affected by general economic and market conditions, including monetary and fiscal policy, asset price levels, investment flows, availability of credit, confidence levels, economic uncertainty, changes in laws (including tax law), trade barriers, currency exchange controls or redenomination, credit losses and global or national health emergencies. These factors may affect the level and volatility of asset prices and the liquidity of investments. Periods of volatility and illiquidity may impair profitability or result in losses. The availability of investment opportunities may decline, the time required to deploy capital may extend beyond expectations, and changes in the price of raw materials, petroleum products, agricultural commodities, and other inputs may affect inflation rates and currency exchange rates, which may in turn negatively impact the clients' investments and investment opportunities. There can be no assurance that current or future economic conditions will be favorable to the clients' strategies, and adverse developments in general economic and market conditions could have a material adverse effect on clients' investments' performance. External factors that may disrupt Axonic's investment program include, without limitation: (i) changes in macroeconomic conditions such as changing interest rates, inflation rates, availability of credit, currency exchange rates and controls, global growth rates, governmental trade and supply-and-demand relationships, and oil price shocks; (ii) changes in laws and governmental regulation, including changes in U.S. federal or state tax laws, federal or state securities laws, bank regulatory policies, accounting standards, and fiscal, monetary and exchange control programs and policies; (iii) technological developments; (iv) force majeure events; and (v) national and international political circumstances including the imposition of trade barriers and currency exchange controls. Any such factors may affect the level and volatility of securities and commodities prices, the liquidity and value of investments, the availability and terms of financing and the operations of Axonic, and may have a material adverse effect on clients and investments.

Geopolitical Risk. Geopolitical events, including wars, blockades, territorial conflicts, terrorist acts, economic sanctions, trade policy disputes, and the actions of national governments can have a material adverse effect on general economic conditions, market conditions, and market liquidity. Geopolitical tensions include ongoing armed conflict in Ukraine, military conflict in Iran and elsewhere, and rising tensions between the United States and other countries, each of which may contribute to uncertainty, disruption, and volatility in global markets. It is impossible to predict the impact of geopolitical developments on the United States or global economies, or on the capital markets in which the clients invest. To the extent clients invest in issuers, obligors or real estate assets in geographic areas that are

materially affected by geopolitical events, the clients may experience losses that could be sudden and significant.

Tariffs, Trade Policy Uncertainty, and Supply Chain Disruption. Tariffs and broader trade policy disruptions may impair the performance of structured credit assets, increase credit losses, disrupt securitization markets, and reduce the value of the clients' investments. The imposition of significant tariffs on imported goods, including steel, aluminum, lumber, semiconductors, consumer electronics, petroleum and finished manufactured products by the United States government and retaliatory measures by affected trading partners introduces a range of credit and market risks that are relevant to the asset classes in which the clients invest. The current tariff environment, which includes broad-based tariffs under executive authority and ongoing uncertainty regarding their scope, duration and legal enforceability, creates material economic and investment uncertainties. There can be no assurance that the tariff and trade policy environment will stabilize within any particular timeframe, and the effects of existing tariff measures on a clients' investments may persist or intensify independent of future policy decisions.

Governmental Interventions. Extreme volatility and illiquidity in markets has in the past led, and may in the future lead, to governmental interventions in equity, fixed income and currency markets. Such interventions are often intended to reduce volatility and prevent precipitous declines in asset values. In certain cases, governments have intervened on an emergency basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. Emergency governmental actions have included moratoriums on evictions and foreclosures, mandatory loan modifications, interest rate interventions, suspension of short selling, and restrictions on currency convertibility. These interventions have typically been unclear in scope and application, creating significant uncertainty for market participants. It is impossible to predict when governmental interventions may be imposed, what the scope or permanence of any such restrictions will be, or what the effect of such restrictions will be on the clients' investments. Governmental interventions may adversely affect the clients' ability to enforce contractual rights, foreclose on collateral, exercise remedies, or exit investment positions at anticipated prices and on anticipated timelines.

Epidemics and Pandemics. The outbreak of a novel or highly contagious disease may lead to significant uncertainty, market disruptions, delays, and other adverse developments in the global financial markets and the economies of nations worldwide. As demonstrated by the COVID-19 pandemic beginning in 2020, such an outbreak can lead to widespread business closures, significant dislocations in employment, sudden changes in consumer behavior, the types of emergency governmental interventions described under "Governmental Interventions" above, and disruptions to credit availability. An epidemic or pandemic could adversely affect the ability of borrowers to service their obligations and the ability or desire of tenants to pay rent, thereby impairing the performance of CMBS and commercial real estate loans, the market value and liquidity of the clients' portfolios; clients' access to financing; and the operational capabilities of the Adviser, counterparties, and service providers. There can be no assurance that the impacts of any future epidemic or pandemic will be limited in duration or severity, or that governmental responses, if any, will be effective in mitigating such impacts.

Force Majeure Risk. Certain events of a catastrophic, extraordinary, or unforeseeable nature may prevent, delay, or materially impair the ability of Axonic to manage the clients' investments, execute investment strategies, or fulfill contractual obligations, and may cause permanent harm to client investments. Force majeure events include, without limitation: earthquakes, floods, hurricanes, typhoons, tsunamis, volcanic eruptions and wildfires; industrial accidents, explosions, and infrastructure failures; acts of terrorism and armed conflict; strikes, labor actions, and civil disturbances; cyberattacks of sufficient severity to disable critical financial market or utility infrastructure; governmental nationalization, confiscation, or expropriation of assets, including through taking without just compensation or adequate process; governmental imposition of currency controls, capital controls, or asset freezes that prevent the repatriation of proceeds or the settlement of transactions; and wars or other hostilities that destroy collateral, disrupt title records, or render legal enforcement of contractual rights impracticable. The consequences of a force majeure event may extend beyond the directly affected geographic area, creating cascading disruptions across interconnected financial markets, supply chains, and counterparty networks. Insurance maintained by the clients, or their borrowers or investees, may exclude coverage for force majeure events, including specifically named perils such as earthquakes, war, and terrorism, or may prove insufficient in amount to cover losses. Where force majeure events may cause permanent physical destruction of collateral securing loans held by the clients, recovery of principal and accrued interest may be partial or nil. Governmental responses to force majeure events, including the imposition of emergency restrictions on the exercise of creditor rights, the mandatory modification of loan terms, or the adoption of fiscal or monetary policies in reaction to economic dislocations caused by such events, may further impair the clients' ability to realize on their investments in a timely or economically satisfactory manner. There can be no assurance that disaster recovery plans or business continuity measures maintained by Axonic or its service providers will be effective in mitigating operational disruptions caused by force majeure events.

Developments in the Credit Markets. Declines in the market value of structured credit securities, including CMBS, ABS, RMBS, CLOs, and CDOs, have historically been caused or exacerbated by macroeconomic dislocations, including housing market downturns, credit crises, and related regulatory and market responses. The significant market events associated with the collapse of the U.S. housing market and the financial crisis of the late 2000s generated extreme volatility and illiquidity in the markets for securities directly or indirectly exposed to non-agency residential and commercial mortgage loans, as well as other securitized products, extending to the global credit and equity markets generally. This volatility and illiquidity was exacerbated by, among other things, uncertainty regarding the extent of losses in the mortgage industry, the degree of exposure of financial institutions and other investors, decreased risk tolerance, and significantly tightened availability of credit. Credit market conditions may deteriorate rapidly and without warning. Periods of extreme credit market stress may result in: (i) severely diminished secondary market liquidity for structured credit securities; (ii) material widening of bid-ask spreads; (iii) rapid deterioration in the credit quality of securitized assets; (iv) forced liquidations by highly leveraged investors that depress prices across the structured credit market; and (v) contraction or termination of financing facilities for structured credit positions. There can be no assurance that the clients' investment strategies will be successful in the event of a recurrence of significant credit market dislocations.

Institutional, Banking System and Systemic Risk. The institutions with which the clients do business, including banks, brokerage firms, custodians, administrators, originators and servicers may encounter financial difficulties that impair their operational capabilities or capital adequacy. Banking institutions are subject to liquidity, solvency, and capital requirements that, if not met, pose risks to the broader financial markets. Where such institutions experience acute financial stress, including deposit withdrawal runs or sudden insolvency, federal deposit insurance protections under the FDIC may be insufficient to cover the full amount of cash balances held by the clients in excess of applicable insurance limits. The failure of Silicon Valley Bank in 2023, followed by the emergency actions of the U.S. Department of the Treasury, the Federal Reserve, and the FDIC to ensure depositor access, illustrates the material uncertainty that can arise when a significant financial institution fails. Events involving limited liquidity, defaults, non-performance, or other adverse developments affecting financial institutions or the financial services industry generally may lead to market-wide liquidity problems. The clients may, directly or indirectly through investments, maintain cash balances at banks or other custodians in excess of applicable FDIC insurance limits, or that are uninsured. The clients' access to cash in amounts adequate to pay expenses, purchase new investments, and otherwise pursue their investment strategy could be impaired if any such institution faces liquidity constraints or failure. More broadly, world events and/or the activities of one or more large participants in the financial markets could result in a temporary systemic breakdown in the normal operation of financial markets, causing a client's investments to lose substantial value predominantly from liquidity and counterparty issues. Brokers may trade with an exchange as a principal on behalf of a client in a debtor-creditor relationship; in such a case, the broker could have title to all or certain of the assets of a client, and in the event of such broker's insolvency, certain of the client's assets could become part of the insolvent broker's estate. A client's assets may be held in street name such that a default by the broker may cause the client's rights to be limited to those of an unsecured creditor.

Highly Volatile Markets. The prices of financial instruments in which a client may invest can be highly volatile. Price movements of forward and other derivative contracts in which the client may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, national and international political and economic events and policies, and global reactions to pandemics, and related travel and trading restrictions. A client is subject to the risk of failure of any of the exchanges on which its positions trade and of the clearinghouses on which the positions are carried.

Trading Curbs. Certain exchanges or markets may impose trading restrictions, also referred to as circuit breakers, which limit or stop trading in certain instruments when certain thresholds have been crossed. If a trading restriction is imposed, clients may be unable to open or close positions or properly hedge portfolios, especially when paired trades in different markets are affected by restrictions on only one side.

Nature of Investments Generally. There can be no assurance that Axonic will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of a client's activities and the value of its investments. In addition, the value of client portfolios may fluctuate

as the general level of interest rates fluctuates. No assurance is given that client investment objectives will be achieved.

C. Real Estate, Loan, Securities and Property Risks; ABS, Consumer Loans and Other Asset Risks

General Real Estate Risks. Real estate investments are subject to numerous risks, many of which are outside the control of the client or Axonic. The value of the client's direct and indirect real estate investments will fluctuate depending on conditions in the general economy, regional and local real estate markets, and the specific circumstances of individual properties. Factors that may adversely affect the value of the client's investments include, among others: national, regional, and local economic conditions; the condition of financial markets; trends and developments in particular industries; competition from other available space; local conditions such as an oversupply of space or a reduction in demand in an area; the quality of property management; development and redevelopment activity; changes in market rental and occupancy rates; timing and costs associated with property improvements and re-tenanting; changes in operating expenses; the financial condition of tenants; the availability of financing on acceptable terms; fluctuations in interest rates; changes in zoning laws and taxation; governmental regulation; complications with title; and force majeure events. The value of commercial real estate is also sensitive to capitalization rates used by market participants to value income-producing property. Increases in capitalization rates, which may result from rising interest rates, reduced liquidity or changes in investor demand, may materially reduce property values and declines in property values may increase loan-to-value ratios and adversely affect the recoverability of loans and securities backed by such properties. Investment in real estate and real estate-related instruments is subject to cyclicalities and other uncertainties. There can be no assurance as to the client's investment performance, particularly in a weaker market or weakened economy. The cyclicalities and leverage associated with real estate and real estate-related investments have historically resulted in significant periods of adverse performance, including performance that may be materially more adverse than the performance associated with other investment categories.

Commercial and Residential Mortgages and Mortgage-Backed Securities and Consumer Loans. Investing in commercial and residential mortgage loans and mortgage-backed securities involves the general risks typically associated with investing in traditional fixed-income securities (including interest rate and credit risk) and certain additional risks and special considerations (including the risk of principal prepayment and the risk of investing in real estate). Mortgage loans and mortgage-backed securities may provide for the payment of interest or principal (or both) on the instruments on a frequent basis and there also exists the possibility, particularly with respect to residential mortgage-backed instruments, that principal may be prepaid at any time. As a result of prepayments, the clients may be required to reinvest assets at an inopportune time, which may expose the clients to a lower rate of return. The rate of prepayments on underlying mortgages affects the price and volatility of a mortgage-backed security, and may have the effect of shortening or extending the effective maturity beyond what was anticipated. Further, different types of mortgage-backed securities are subject to varying degrees of prepayment risk. Finally, the risks of investing in such instruments reflect the risks of investing in real estate securing the underlying loans, including the effect of local and other economic conditions, the ability of tenants to

make payments, and the ability to attract and retain tenants. Axonic may decide to dispose of a distressed loan rather than foreclose, which could result in less proceeds to the clients than would have been achieved upon a sale following foreclosure. In addition, Axonic may decide to hold any foreclosed property in a separate investment vehicle, which vehicle may be subject to entity-level taxation.

Commercial real estate loans frequently mature with a substantial portion of the principal outstanding, requiring borrowers to refinance or repay the loan at maturity. The inability of borrowers to refinance or repay may result in a loss on certain investments.

The clients may, directly or indirectly (including through a wholly- or partially-owned separate entity), purchase US residential mortgages that do not satisfy the US Consumer Financial Protection Bureau's ("CFPB") definition for a "qualified mortgage" (or similar definitions of other regulators) as well as qualified mortgages and secured or unsecured consumer loans. Purchasers of non-qualified mortgages may be subject to borrower defenses and claims (whether or not the purchaser was at fault) that may not be available to qualified mortgage borrowers. In addition, purchasers and originators of residential mortgage loans or consumer loans may be subject to enforcement and other actions by the CFPB or other regulators, class action lawsuits by mortgagors or borrowers and actions by governmental authorities. The clients may directly or indirectly purchase residential or commercial mortgage loans and consumer or commercial loans from various originators (including so-called peer to peer platforms) and, in certain cases, may engage and rely on third party due diligence firms to determine whether these loans are originated to acceptable standards. Such third party due diligence firms generally will be exculpated from liability (except for their own fraud) and the clients may not discover any failures by such firms until many years following the acquisition of such loans. The clients may have lender liability under these loans, even if it did not act as the originator, and borrowers may have defenses to payment, including that the loans violate applicable usury law or that the originators or clients did or do not have the proper licenses to originate, acquire or hold the loans. Usury and other violations of applicable law (which may be criminal law) may allow borrowers to recover amounts paid and additional amounts as a penalty, may void the enforceability of the loan, and may subject the clients to adverse regulatory actions, penalties and punitive damages. The clients may, directly or indirectly (including through a wholly- or partially-owned separate entity), participate in the securitization of these loans and, in connection therewith, the clients may be required to make or guarantee certain representations and warranties concerning the loans, including representations and warranties concerning their origination, even though the clients (or Axonic) did not control or oversee origination, and an express remedy for a breach thereof may include an obligation to repurchase the relevant loan (or, in certain cases, all loans) at par, which could adversely affect the investment returns to clients. The clients or a wholly- or partially-owned separate entity may be required to obtain licenses or qualify in those jurisdictions in which the borrowers under these loans or in which the properties secured by the loans are located, and the failure to obtain and maintain those licenses and qualifications may limit the ability of the clients to continue to hold these loans or exercise remedies in respect thereof as well as subjecting the clients to sanctions and/or monetary penalties from relevant regulatory authorities.

Commercial Mortgage-Backed Securities. The clients may invest in tranches of CMBS transactions, ranging from the most senior tranches to the most subordinated tranches, which may be unrated. The collateral underlying CMBS generally consists of mortgage loans secured by income-producing property. Performance of a commercial mortgage loan and the market value of a commercial property both depend on the net income generated by the underlying mortgaged property. As a result, income generation will affect both the likelihood of default and the severity of losses with respect to a commercial mortgage loan. Successful management and operation of the related business (including property management decisions, such as pricing, maintenance and capital improvements) will have a significant impact on performance of commercial mortgage loans. Issues such as tenant mix, success of tenant business, property location and condition, competition, increases in interest rates, real estate taxes and other operational expenses, general or local economic conditions and/or specific industry segments, declines in real estate values, declines in rental or occupancy rates and civil disturbances, changes in governmental rules, regulations and fiscal policies, acts of God, social unrest and insurance coverage are among the factors that may impact both performance and market value. The value of commercial real estate is also subject to limitations on remedies imposed by bankruptcy laws and state laws regarding foreclosures and rights of redemption.

Mortgage loans on commercial properties often are structured so that a substantial portion of the loan principal is not amortized over the loan term but is payable at maturity, and repayment of the loan principal thus often depends upon the future availability of real estate financing from the existing or an alternative lender and/or upon the current value and saleability of the real estate. Therefore, the unavailability or reduction in the availability or lowering of advance rates of real estate financing may lead to default. Most commercial mortgage loans underlying CMBS are effectively nonrecourse obligations of the borrower, meaning that there is no recourse against the borrower's assets other than the collateral except in the case of borrowers acting fraudulently or otherwise illegally. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgage loans, payments on the CMBS and commercial mortgage loans are likely to be adversely affected to some degree depending upon the seniority of the notes within a securitization's capital structure.

The ultimate extent of the loss, if any, to the subordinated classes of CMBS may only be determined after a negotiated discounted settlement, restructuring or sale of the mortgage note, or the foreclosure (or deed in lieu of foreclosure) of the mortgage encumbering the property and subsequent liquidation of the property. Foreclosure can be costly and delayed by litigation and/or bankruptcy. Factors such as the property's location, the legal status of title to the property, its physical condition and financial performance, environmental risks, and governmental disclosure requirements with respect to the condition of the property may make a third party unwilling to purchase the property at a foreclosure sale or to pay a price sufficient to satisfy the obligations with respect to the related commercial mortgage loan underlying the CMBS. Commercial mortgage borrowers may divert revenues on the property to make payments to others rather than to maintain insurance coverage, pay taxes or pay maintenance costs. Such diverted revenue is generally not recoverable without a court-appointed receiver to control collateral cash flow.

Residential Mortgage Lending Market. Delinquencies, defaults and foreclosures on residential mortgage loans may affect the performance of RMBS and other securities directly or indirectly backed by mortgage

loans. Mortgage loans underlying the non-agency and non-qualified residential mortgage securities in which the clients invest are frequently made to borrowers with lower credit scores and with higher loan-to-value ratios than mortgage loans made to creditworthy borrowers for owner-occupied primary residences.

Mortgage Servicing and Servicer Risk. The performance of residential and commercial mortgage loans and mortgage-backed securities held by the clients depends materially on the competence, solvency, and integrity of the loan servicer. Servicers are responsible for collecting and remitting payments, administering escrow accounts, pursuing collections on delinquent loans, advancing principal and interest to certificate holders during periods of borrower non-payment, conducting loss mitigation, and initiating and managing foreclosure proceedings. Servicer risk includes (i) servicer insolvency or operational failure, which may disrupt payment flows to certificate holders and create delays in advancing principal and interest that are not fully compensable; (ii) the risk that a financially distressed servicer fails to make scheduled servicer advances, impairing the timing and certainty of cash distributions to structured credit securities holders; (iii) the risk that a servicer's loan modification, forbearance, or workout decisions favor the servicer's affiliated interests; and (iv) servicer transfer risk, under which the transition of servicing responsibilities from a distressed or terminated servicer to a successor servicer may take months, during which collection efficiency declines, foreclosure timelines extend, and losses accumulate. Axonic may have limited ability to direct the conduct of servicers and may have no practical remedy for servicer underperformance other than pursuing unsecured claims against the servicer. There can be no assurance that servicer risk will not cause material losses to the client investments. Servicers may exercise discretion with respect to loan modifications, foreclosures and dispositions, and such decisions may not maximize value for all tranches of affected securities and may adversely affect the value of certain investments.

CMOs and Mortgage Derivatives. Collateralized mortgage obligations ("CMOs") reallocate the various risks inherent in mortgages across various tranches. A client's use of CMOs and other mortgage derivatives may magnify the prepayment risks and interest rate risks associated with mortgages and MBS.

Prepayment Model Risk; Convexity Risk. The return profile of many structured credit instruments in which the clients invest, including RMBS, CMOs, IO securities, inverse IO securities, agency MBS, and non-agency mortgage-backed securities, is dependent on the accuracy of prepayment projections. Prepayment models estimate the rate at which borrowers will voluntarily prepay outstanding principal balances in response to changes in interest rates, home values, and refinancing availability. Material deviations between projected and actual prepayment speeds can cause significant deterioration in investment returns and market values. Prepayment models may be based on historical data and quantitative assumptions that may not accurately predict future borrower behavior, and no assurance can be given that the prepayment estimates used to value and underwrite structured credit positions will prove accurate.

Residential Transition Loan Risk. Residential transition loans ("RTLs"), also referred to as fix-and-flip or bridge loans, are short-term loans secured by residential properties that the borrower intends to renovate and resell or refinance. RTLs present risks distinct from those of stabilized residential mortgage loans. Collateral value at origination may be based in part on projected after-repair value ("ARV"), which may

not be realized if renovation is not completed on time or within budget, construction costs escalate, the local real estate market deteriorates, or the borrower's experience or financial resources prove insufficient. RTLs typically mature within six to twenty-four months, requiring continuous redeployment of capital and exposing the client to reinvestment risk. RTL originators and purchasers may be subject to state and local licensing requirements and usury laws. A borrower's failure to complete renovation or to sell or refinance the property at maturity may result in loan extension on unfavorable terms, foreclosure, or total loss of principal.

Second Lien Loan Risk. When a client holds a second lien loan, its claim is subordinate in payment priority and lien priority to the first lien secured by the same collateral. Upon a default, the first lien lender has priority to all proceeds from the collateral, and the second lien lender may recover nothing or only a fraction of its investment. Intercreditor agreements typically impose significant restrictions on the second lien lender's ability to enforce remedies, accelerate the loan, or exercise rights against the collateral without the first lien lender's consent or until a standstill period expires. The second lien lender may also be required to turn over to the first lien lender any recoveries received in violation of the intercreditor agreement. Second lien loans accordingly carry materially greater credit risk, recovery risk and illiquidity risk than first lien loans secured by the same collateral, and losses may be total in a foreclosure or liquidation scenario.

Whole Loan Risk. Direct acquisition or origination of whole loans results in the client holding both beneficial and record ownership of the loan. The client is directly exposed to borrower delinquency, default, foreclosure risk, and loss from loan restructurings or distressed sales. Foreclosure proceeds may be insufficient to recover the principal and all associated costs. Whole loans are highly illiquid with no organized secondary market, exposing the client to greater potential volatility and loss compared to MBS holdings and subjecting the client to direct real estate ownership risks.

Single-Asset, Single-Borrower CMBS Risk. Single-asset, single-borrower ("SASB") CMBS transactions are backed by a single property or a small pool of properties and are structured with terms customized to a specific asset and borrower. These instruments are significantly more sensitive to the financial performance of the underlying property and borrower than diversified CMBS pools. Adverse developments, including net operating income deterioration, tenant vacancy, loss of major tenants, refinancing risk at maturity, or local market deterioration, and bankruptcy by operating affiliates of the borrower, disproportionately affect the value of SASB CMBS holdings. SASB CMBS can be less liquid than diversified CMBS with wider bid-ask spreads and may be difficult to sell in adverse market conditions.

Mezzanine Loans. Typically, the ownership interests pledged by a mezzanine borrower as security for a Mezzanine Loan represents all or a portion of the direct or indirect equity in an entity that itself is a borrower under a commercial mortgage loan pursuant to which such mortgage borrower has pledged commercial property as security for such mortgage loan and perhaps other indebtedness and obligations (including derivatives and future advances), all of which will be senior in priority to the Mezzanine Loan. Also, typically, distributions in respect of its equity interest in the mortgage borrower constitute the sole source of income of the mezzanine borrower (and, therefore, the sole source of debt service payments on

the related Mezzanine Loan). As with commercial mortgage loans, repayment of a Mezzanine Loan is thus dependent on the successful operation of the underlying commercial properties and, therefore, is subject to similar considerations and risks. Loans may be non-recourse and in the event of a default there will be recourse only against the specific assets that have been pledged to secure such Loans. If a client forecloses on a loan, the relevant client may take ownership of the property or an entity owning the property subject to any mortgages on the property, and if Axonic does not or cannot sell the interests foreclosed upon, the client would then come to own and operate the property. Mezzanine loans may be structured as preferred equity interests in the borrower, potentially providing fewer remedies and lower recoveries to the client in the case of a default. Owning and operating real property involves risks that are different (and in many ways more significant) than the risks faced in owning a loan secured by the equity in an entity that owns and operates the property.

Direct Lending and Loan Origination Risk. Direct lending and loan origination activities expose the client to borrower default, delinquency, and foreclosure risks. Foreclosure proceedings are costly and may be time-consuming, and proceeds may be insufficient to recover the full investment. The origination, acquisition, servicing, and collection of loans is subject to extensive state and local licensing requirements, and the client's lending activities must comply with applicable usury laws, disclosure obligations, servicing standards, debt collection regulations, foreclosure procedures, data privacy laws, and reporting requirements. An incorrect licensing analysis or a change in applicable law or regulation could result in regulatory examinations, investigations, enforcement actions, fines, penalties, restitution obligations, rate rollbacks, civil litigation (including class action exposure), and operational restrictions that delay or impair the client's ability to enforce or foreclose on loans. Warrants or other instruments issued to clients to enhance the value of its investment may become worthless.

Warehouse Financing and Originator Counterparty Risk. To the extent the clients originate mortgage loans, acquire loans from third-party originators, or hold pools of recently originated collateral pending securitization, the clients may be exposed to the financial condition, operational integrity and financing arrangements of those originators and to the risks inherent in warehouse financing. Warehouse financing risk encompasses: (i) the risk that a warehouse lender declines to roll or renew a warehouse facility at scheduled maturity, forcing the sale or transfer of unsecuritized loan collateral at distressed prices or on unfavorable terms in order to satisfy the maturing facility; (ii) margin call risk, where warehouse facilities are structured with loan-level advance rates subject to periodic mark-to-market adjustment, a widening of credit spreads unrelated to underlying collateral credit performance can trigger a margin call requiring additional equity contribution or forced collateral liquidation; (iii) originator insolvency risk, including the risk that an originator's bankruptcy results in the diversion or commingling of loan collections prior to remittance, delays in the transfer of loan files and servicing records, and the potential recharacterization of a loan sale as a financing under applicable law, subjecting transferred loans to the originator's bankruptcy estate; (iv) representations and warranties recourse risk, where the clients have acquired loans from originators who are subsequently unable to satisfy repurchase obligations arising from representations and warranties breaches due to insolvency or financial distress; and (v) securitization execution risk, including the risk that market conditions deteriorate between the origination or acquisition of a loan and the planned securitization takeout, causing the planned securitization to be uneconomical or

unfeasible, leaving the clients holding unsecuritized collateral funded by short-term warehouse borrowings. There can be no assurance that warehouse and originator counterparty risks will not cause material losses to the clients' investments.

Concentration in Mortgage-Related Assets Risk. A client may concentrate its total assets in mortgage-related assets, including agency and non-agency RMBS, CMBS and other MBS. This concentration magnifies the impact of adverse developments in the housing and commercial real estate markets, interest rate changes, credit deterioration in the mortgage sector, reduced immigration and population growth or negative population growth adversely impacting property values and rents, technological advances, including artificial intelligence negatively impacting employment and wages, regulatory changes affecting originators and servicers, and declines in real property values. The client's performance may exhibit greater volatility and potential losses compared to a more diversified portfolio.

Non-Performing Real Estate Loans; Workout and Foreclosure Risk. Certain clients may acquire or hold non-performing or sub-performing real estate loans, including commercial mortgage loans (including RTLs), residential mortgage loans, and mezzanine loans secured by interests in real property. The management of non-performing loans involves a higher degree of risk than investment in performing loan obligations. Non-performing borrowers are typically in financial distress, and the resolution of a non-performing loan generally requires the client to pursue various remedies, including loan workout and forbearance negotiations, restructuring of loan terms, discounted payoff arrangements, appointment of a receiver, enforcement of guaranties, sale or other disposition of the mortgage note, or foreclosure of the mortgage lien and subsequent liquidation or operation of the underlying property. Each of these remedies is time-consuming, expensive, and subject to material uncertainty. Foreclosure proceedings, in particular, may extend for periods of several years in jurisdictions with court-supervised foreclosure requirements, statutory redemption rights, or active borrower litigation activity. Borrowers facing foreclosure may employ delaying tactics, including the filing of voluntary bankruptcy petitions to invoke a stay under applicable bankruptcy law, which may suspend foreclosure proceedings indefinitely pending resolution of the bankruptcy case. Even where foreclosure is completed, the proceeds realized at a foreclosure sale may be insufficient to recover the full amount of the outstanding loan balance, accrued interest, default interest, late charges, protective advances, and legal fees incurred in connection with the enforcement process. The market for non-performing loans can be illiquid and subject to significant valuation uncertainty, and there can be no assurance that any secondary market will exist for the disposition of non-performing loan positions at values reflecting the client's carrying price. In addition, the client's assumption of lender liability or servicer liability may arise from conduct during the workout process, including allegations of interference with borrower operations, tortious interference with third-party contracts, breach of implied covenants of good faith and fair dealing, or failure to comply with applicable servicing standards. Any of the foregoing factors may result in losses to the client that materially exceed those anticipated at the time of investment.

Risks of Acquiring Real Estate Property (Including REO). Certain clients may acquire direct or indirect ownership interests in real property, including through the foreclosure of mortgage loans held by the client or through the acquisition of real estate owned ("REO") from third parties or from entities in which the

client has invested. Direct or indirect real property ownership subjects the relevant client to risks that differ from, and in many respects are more significant than, the risks of holding mortgage loans secured by real property. These risks include: (i) fluctuations in occupancy rates, rental rates, and operating expenses that may reduce or eliminate the income generated by the property; (ii) the risk that following the termination or expiration of a tenant's lease, there may be a period during which no rental income is received while the client continues to bear fixed carrying costs such as debt service, real estate taxes, and maintenance; (iii) the risk that declining economic conditions will make it difficult to attract replacement tenants at expected rental rates or at all; (iv) the risk of unexpected capital expenditure requirements; (v) environmental liability arising from conditions discovered on acquired properties; (vi) real property transfer taxes, deed recording fees, and local regulatory requirements, insurance costs; and (vii) claims that may be asserted against the property owner, including liability for tax obligations, environmental hazards, and other liabilities attaching to the property itself. Any costs or delays involved in foreclosure proceedings or the liquidation of real property will reduce the net proceeds available to the client.

Property Development and Redevelopment Risks. RTLs and other real estate investments may involve development or redevelopment. Such investments are subject to a variety of risks distinct from those associated with income-producing stabilized properties. Development and redevelopment activities require substantial capital expenditures during the construction period, and it may take an extended period to complete and begin generating income or capital appreciation. The time and costs required to complete a development may be subject to substantial extension and increase due to many factors, including shortages of or price increases with respect to construction materials (which may prove defective), equipment, technical skills, or labor; adverse weather conditions; third-party performance risks; environmental risks; changes in market conditions; changes in governmental or regulatory policies; and delays in obtaining required approvals, permits, licenses, or certifications from relevant authorities. Any of these factors may lead to delays in, or prevent the completion of, a development project and may result in costs substantially exceeding those originally budgeted. The completed properties may not achieve originally expected loan to value ratio, may not achieve the targeted return on investment, may not be fully leased upon completion, or may require additional capital investment before achieving stabilized occupancy, any of which could result in a loss on the investment.

Federal Agency and Lending Program Changes. Because the availability of Fannie Mae, Freddie Mac, FHA-backed, and VA-backed mortgage financing is an important factor in marketing and selling many homes by homebuilders, any limitations, restrictions, or changes in the availability of such government-backed financing could impact home and multifamily sales and values. There is a substantial possibility that substituting an alternate source of liquidity would increase mortgage interest rates, increasing the effective costs to borrowers and reducing demand. In addition, Freddie Mac's cessation of certain first-loss risk sales has materially reduced the available supply of a primary investment target for certain clients.

Investor Loans and Second Home Risk. Mortgagors may be more likely to default on loans secured by non-owner-occupied property than on primary residences, as they have no primary housing need to maintain the property. Repayment of such investor loans typically depends on the successful operation of the underlying property as a business rather than on independent household income.

Environmental Liabilities. Under various U.S. federal, state, and local environmental laws, ordinances, and regulations, including the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), a current or previous owner or operator of real estate, including in certain circumstances a secured lender that succeeds to ownership or control of a property through foreclosure or deed-in-lieu of foreclosure, may become liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, under, or in such property. Liability under environmental laws is generally strict, joint, and several, and may be imposed without regard to whether the owner or controlling party knew of, or was responsible for, the release or presence of such hazardous or toxic substances. The costs of investigation, remediation, or removal of hazardous substances may be substantial and may exceed the value of the affected property. In addition, the owner or operator of a site may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. Absent succeeding to ownership or control of real property, a secured lender is generally not subject to environmental liability. Accordingly, following any foreclosure where the client or an affiliate assumes direct ownership of the underlying asset, it will also assume the associated environmental liabilities.

Availability of Insurance. There are certain types of losses, generally of a catastrophic nature, including losses caused by earthquakes, floods, hurricanes, terrorism, acts of war, and similar force majeure events, that may be commercially uninsurable or not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations, and other factors, including terrorism or acts of war, also might make insurance proceeds insufficient to repair or replace a property if it is damaged or destroyed. Any uninsured loss could result in the loss of cash flow from and the asset value of the affected property, and could materially reduce the client's overall returns.

Inflation Risk. Inflation erodes the real value of the client's assets and the purchasing power of income and distributions received by investors. Interest rate increases prompted by inflationary conditions reduce the value of fixed-income securities held by the client, increase borrowers' debt service costs (adversely affecting loan performance), and raise the operating expenses of properties underlying the client's mortgage loan holdings. If the client acquires real estate that is subject to leases that do not contain provisions for increases relating to inflation, the value of the income stream from such leases will be diminished in an inflationary environment. Conversely, the cost of capital improvements, operating expenses, and property taxes may increase with inflation without a commensurate increase in rental income where lease structures do not provide for such escalation. Governmental efforts to curb inflation, including through increases in interest rates by the Federal Reserve, may have negative effects on the level of economic activity, reduce the availability and increase the cost of financing for the client's investments, reduce property values by increasing capitalization rates, and otherwise negatively impact the client's investment portfolio. Sustained inflation may adversely affect the client's ability to meet its investment objectives.

Climate and Physical Transition Risk. Physical climate risk and climate transition risk represent emerging and increasingly material threats to the value of commercial and residential real estate collateral underlying the structured credit instruments in which the clients invest. Physical climate risk

encompasses: (i) the increased frequency and severity of flooding, hurricanes, wildfires, extreme heat, and other climate-related hazards that may cause property damage, reduce property values, restrict mortgage availability, and impair the debt service capacity of borrowers in affected geographic areas; (ii) the contraction of commercially available property insurance coverage in high-risk geographic areas, including certain coastal, floodplain, and wildfire interface zones, which may render specific properties unfinanceable or result in forced sale at reduced values; (iii) revisions by FEMA to National Flood Insurance Program flood zone maps that may materially increase mandatory flood insurance costs or impair the marketability of specific properties owned or securing mortgage loans held by the clients; and (iv) heat and drought conditions that may impair agricultural collateral, water-dependent industrial facilities, or utility infrastructure underlying the clients' investments. Climate transition risk encompasses: (i) the risk that federal, state, or local decarbonization mandates, building energy efficiency requirements, or carbon pricing mechanisms impose material capital expenditure obligations on commercial property owners, impairing debt service coverage ratios and net operating income; (ii) stranded asset risk arising from properties that are highly energy-inefficient and face either substantial remediation costs or loss of market value as tenant and investor demand shifts toward energy-efficient buildings; and (iii) the incorporation of climate risk overlays into credit rating agency structured credit rating methodologies and GSE/agency MBS underwriting guidelines, which may cause downward rating adjustments or changes in eligibility determinations for instruments held by the clients. Climate risks may manifest gradually or suddenly, and historical loss experience may significantly understate future losses in affected geographic areas.

Unknown Liabilities Associated with Acquired Properties. Axonic's due diligence process may not reveal all of a property's liabilities, and the client may acquire a property without any recourse, or with only limited recourse, including as to amount or time or both, with respect to unknown or contingent liabilities. Unknown liabilities with respect to properties acquired might include liabilities for clean-up or remediation of adverse environmental conditions; accrued but unpaid liabilities incurred in the ordinary course of business; tax liabilities including unpaid property taxes; mechanics' liens; and claims for indemnification by prior owners, operators, or tenants. In certain circumstances, title insurance, representations and warranties from sellers, and indemnification agreements may provide partial protection against unknown liabilities, but such protections may be incomplete, subject to dispute, or rendered unenforceable due to the insolvency or other inability of the obligor to perform.

Compliance with Local Regulations. Properties in which the client invests, directly or indirectly, will be subject to various covenants and federal, state, and local laws and regulatory requirements, including permitting and licensing requirements. Local regulations, including municipal or local ordinances and zoning restrictions, may restrict the use of properties and may require the client to obtain approval from local officials or regulatory bodies. Changes in zoning laws, building codes, or environmental regulations may require the client to modify, remediate, or dispose of properties at unfavorable times or at costs that were not anticipated at the time of acquisition. Certain local jurisdictions have implemented or are considering rent stabilization or rent control ordinances that could limit the client's ability to increase rents, respond to market conditions, or recover increases in operating expenses.

Reliance on Operating Partners; Joint Venture Risk. With respect to certain investments, the clients may enter into joint venture arrangements, co-investment structures, or operating partnership arrangements with local, regional, or national operating partners who will be responsible for day-to-day management, leasing, operations, servicing and development or redevelopment activities with respect to the underlying properties, loans or other assets. If any operating partner fails to perform its obligations competently, becomes financially distressed, or acts in a manner adverse to the interests of the applicable client, the client may suffer losses that are difficult to remedy or offset. In the event of a dispute between Axonic and an operating partner regarding the timing or terms of a disposition, renovation, or other strategic decision, a Client may be unable to implement Axonic's preferred course of action, or unable to exercise a buy-sell because of liquidity or other concerns, potentially resulting in adverse investment outcomes.

Acquisition Competition; Broken Deal Risk. Clients that invest in commercial real estate assets or loans secured by real estate may face significant competition from other institutional investors, real estate investment trusts, private equity funds, sovereign wealth funds, and other capital sources. Increased competition for target investments may result in higher acquisition prices, reduced investment returns, or the client's inability to deploy committed capital on a timely basis. In connection with any acquisition process, the clients may incur substantial diligence, legal, advisory, financing, and other costs relating to potential transactions that are ultimately not consummated. Such 'broken deal' costs may be substantial and will generally be borne by the applicable client without any offsetting recovery.

Property Type-Specific Risks. The performance and value of commercial real estate may be adversely affected by local conditions such as an oversupply of space or a reduction in demand, competition from other available space, increased operating costs that cannot be passed through to tenants, and the expense of periodically renovating, repairing, and re-tenanting spaces. The ongoing structural shift in consumer behavior toward internet-based purchasing has materially reduced foot traffic and demand for physical retail space in many markets. The bankruptcy or financial distress of major retail tenants or anchor tenants could cause lease terminations, rent reductions by other tenants, and potentially the near-complete reduction of cash flows from a retail property. Hotel properties are subject to various operating risks common to the hospitality industry, including competition for guests, dependence on demand from business and leisure travelers which may fluctuate significantly and seasonally, and the negative impact of terrorism alerts, military actions, pandemics, and similar events on travel demand. Hotel revenues are more immediately sensitive to economic conditions and external disruptions than many other commercial property types because hotel leases are effectively daily or weekly contracts and cannot provide the same revenue stability as longer-term commercial leases. Multifamily properties may be affected by the level of mortgage interest rates, which may make home ownership a more attractive alternative to renting, and by state and local rent control or rent stabilization regulations limiting rent increases and restricting the ability to recover increases in operating expenses. The structural shift toward remote and hybrid work arrangements, which accelerated during and following the COVID-19 pandemic, has materially affected demand for office space in many markets and may continue to do so. Office properties generally require their owners to expend significant amounts for general capital improvements, tenant improvements, and costs of re-leasing space.

Aircraft and Aviation Industry Risk. Clients may invest in securities collateralized or otherwise backed by aviation assets. Economic recessions, geopolitical conflict, the price of petroleum, the availability of more attractively priced and/or more efficient aircraft, price discounting by manufacturers of new aircraft, obsolescence (whether due to changes in technology or changes in regulation, particularly regulation related to environmental standards), and the occurrence or threat of terrorism or pandemics can have a material effect on aircraft values, especially in the short term, but the effect may be permanent. Most of these circumstances cannot be predicted with any degree of certainty, and these circumstances may adversely affect the client. In addition to factors linked to the aviation industry, other factors that may affect the value of aviation assets include: (i) manufacturers merging or exiting the industry or ceasing to produce aircraft types; (ii) the particular maintenance and operating history of the aircraft and engines and the cost of maintaining and operating aircraft and engines; (iii) the number of operators using that type of aircraft; (iv) whether the aircraft is subject to a lease; (v) any regulatory and legal requirements that must be satisfied before the aircraft can be operated, sold or re-leased, including airworthiness directives; (vi) layout of the aircraft amongst operators of particular aircraft; (vii) any renegotiation of a lease on less favorable terms; (viii) mandatory termination of leases with certain lessees owned by or domiciled in certain countries; (ix) wars, pandemics and other crises impacting travel; (x) technological improvements lessening need for travel; and (xi) confiscation of aircraft.

Asset-Backed Securities. Certain clients invest in various types of asset-backed securities backed by pools of a variety of assets, including, for example, aircraft and other aviation assets, automobiles, consumer credit and intellectual property. Asset-backed securities are subject to credit risk, interest rate risk and, to a lesser degree, prepayment risk. Asset-backed securities may also be subject to additional risks in that, unlike mortgage-backed securities, certain categories of asset-backed securities do not have the benefit of a security interest in the related collateral. This is particularly the case with respect to credit card receivable ABS and other ABS backed by unsecured consumer obligations; by contrast, asset-backed securities backed by auto loans, equipment financings, or other collateralized assets typically benefit from perfected security interests in the underlying collateral under applicable personal property law. Each type of asset-backed security also entails unique risks depending on the type of assets involved and the legal structure used. There is also the possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities because of the inability to perfect a security interest in such collateral. Whole business securitization ABS depend on the generation of revenue from the underlying business and are therefore subject to risks associated with the financial and operating performance of the underlying business. The performance of these businesses is subject to prevailing economic and competitive conditions and to certain financial, business and other factors. To the extent that an underlying business is concentrated in a particular geographic location the risk of loss may be increased.

Structured Investments. The clients may invest in entities organized and operated for the purpose of restructuring the investment characteristics of other debt securities. These investments will typically consist of equity or subordinated debt securities issued by a private investment fund that invests, on a leveraged basis, in debt instruments, including primarily senior loans and high-yield bonds and mortgage-backed securities and asset-backed securities, directly or through total rate of return swaps or other credit

derivatives. The cash flow on the underlying instruments may be apportioned among the newly issued security to create securities with different investment characteristics such as varying maturities, payment priorities and interest rate provisions, and the extent of the payments made with respect to such securities is dependent on the extent of the cash flow on the underlying instruments. Because the clients will not own these assets directly, they will not benefit from rights that holders of the assets have, including indemnification and voting rights. Exposure to structured finance securities entails various risks: credit risks, liquidity risks, prepayment risks, interest rate risks, market risks, operations risks, structural risks, geographical concentration risks, basis risks and legal risks. Structured finance securities are also subject to the risk that the servicer fails to perform, and are subject to risks associated with their structure and execution, including the process by which principal and interest payments are allocated and distributed to investors, how credit losses affect the issuing vehicle and the return to investors in such structured finance securities, whether the collateral represents a fixed set of specific assets or accounts, whether the underlying collateral assets are revolving or closed-end, under what terms any remaining balance in the accounts may revert to the issuing entity, and the extent to which the entity that is the actual source of the collateral assets is obligated to provide support to the issuing vehicle or to the investors in such structured finance securities.

CLOs and CDOs. Axonic, on behalf of certain clients, may sponsor and invest in other sponsors' collateralized loan obligations ("CLOs") and collateralized debt obligations ("CDOs"). CLOs are structured vehicles that hold diversified pools of senior secured leveraged loans, typically rated below investment grade or unrated, and issue tranching debt and equity securities backed by the cash flows from that collateral pool. CDOs may hold a broader range of collateral, including RMBS, CMBS, ABS, high yield bonds, and other structured instruments. In each case, losses are allocated from the bottom of the capital structure upward, so that equity and mezzanine holders bear first-loss risk and may receive no recovery in a default or stress scenario. Holders of CLO and CDO securities face a range of material risks, including: (i) credit risk of the underlying collateral, which is often highly leveraged and susceptible to default during economic downturns; (ii) structural subordination, under which senior tranche holders control remedies in an event of default and may direct actions adverse to junior holders; (iii) liquidity risk, as secondary market trading in CLO and CDO securities can be thin, bid-ask spreads wide, and valuations model-based rather than mark-to-market; (iv) concentration risk, where exposure to a single obligor, industry, or geography in the collateral pool magnifies loss severity; (v) mandatory cash flow diversion, under which overcollateralization and interest coverage tests, if breached, redirect distributions away from mezzanine and equity tranches to pay down senior notes; (vi) optional redemption risk, under which a CLO call or clean-up call may force liquidation of collateral at inopportune prices; (vii) insolvency risk of CLO and CDO collateral issuers, including the risk of avoidance actions under applicable bankruptcy law; and (viii) synthetic exposure risk, where CLO or CDO positions acquired through credit default swaps, total return swaps, or structured notes introduce counterparty credit risk in addition to the underlying collateral risk. CLO and CDO Securities are issued on a non-recourse basis; if distributions on the collateral are insufficient, no other assets of the issuer are available and holders have no claim to any deficiency. Historical default and recovery rate data for leveraged loans and high yield obligations are not necessarily indicative of future performance. Prices of CLO and CDO securities are highly volatile

and are influenced by interest rates, credit spreads, market sentiment, and macroeconomic conditions, none of which Axonic can control.

Lower Credit Quality Loans. There are no restrictions on the credit quality of the loans that may be held in a client's portfolio. Loans arranged or purchased by Axonic on behalf of a client may be deemed to have substantial vulnerability to default in payment of interest and/or principal. Certain loans may have large uncertainties or major risk exposures to adverse conditions and may be considered to be predominantly speculative. Generally, such loans offer higher return potential than higher quality loans but involve greater volatility of price and greater risk of loss of income and principal. The market values of certain of these loans also tend to be more sensitive to changes in economic conditions than better quality loans.

Senior Secured Loans. Axonic, on behalf of certain clients, may invest directly or indirectly in senior secured loans. Senior secured loans are usually rated below investment grade or may be unrated. The risks associated with senior secured loans may be considered by credit rating agencies to be similar to the risks of below investment grade fixed income instruments, although senior secured loans are senior and secured in contrast to other below investment grade instruments that are often subordinated or unsecured. There may be less readily available and reliable information about most senior secured loans than is the case for many other types of securities. Illiquidity and adverse market conditions may mean Axonic is not able to sell senior secured loans quickly or at a fair price.

Subordinated Loans and Securities. Axonic, on behalf of certain clients, may invest in subordinated loans or securities or interests in pools of securities that are subordinated or may be subordinated in right of payment and ranked junior to other securities issued by, or loans made to, obligors. If an obligor experiences financial difficulty, holders of its more senior securities will be entitled to payments in priority. In addition, many obligors are highly leveraged, and many such investments will be in securities that are unrated or rated below investment grade. Such investments are subject to additional risks, including an increased risk of default during periods of economic downturn, the possibility that the obligor may not be able to meet its debt payments, and limited secondary market trading.

Corporate and Other Debt Obligations; Participations. The clients may invest in debt obligations, which include interests in loans to entities or their affiliates undertaken to finance a capital restructuring or in connection with recapitalizations, acquisitions, leveraged buyouts, refinancings or other financially leveraged transactions and may include loans that are designed to provide temporary or bridge financing to a borrower pending the sale of identified assets, the arrangement of longer-term loans or the issuance and sale of debt obligations. The clients may also invest in debtor-in-possession ('DIP') loans and financial instruments secured or backed by whole commercial, consumer and other loans and lease contracts, asset-based loans. These loans may bear fixed or floating rates. Syndicated loans have generally been arranged through private negotiations between a corporate borrower and one or more financial institutions ("Lenders"), including banks. A client's investment may be in the form of participations in loans ("Participations") or of assignments of all or a portion of loans from third parties ("Assignments"). Borrowers may include corporations, partnerships, trusts and sovereigns (including

Indian tribes) and their affiliates. Obligations of sovereigns and their affiliates may be difficult or impossible to enforce.

In certain cases, the rights and obligations acquired by the clients through the purchase of an assignment may differ from, and be more limited than, those held by the assigning selling institution. Assignments are sold strictly without recourse to the selling institutions, and the selling institutions will generally make no representations or warranties to the clients about the underlying loan, the borrowers, the documentation of the loans or any collateral securing the loans. With respect to Participations, the clients will have the right to receive payments of principal, interest and any fees to which it is entitled only from the Lender selling the Participation and only upon receipt by the Lender of the payments from the borrower. The clients generally will have no right to enforce compliance by the borrower with the terms of the loan agreement relating to the loan in which it has purchased a Participation, nor any rights of set-off against the borrower, and the clients may not benefit directly from any collateral supporting the loan in which it has purchased the Participation. Thus, the clients assume the credit risk of both the borrower and the Lender that is selling the Participation. In addition, the clients generally will have no role in terms of negotiating or effecting amendments, waivers and consents with respect to the loans underlying the Participations. In the event of the insolvency of the Lender, the clients may be treated as a general creditor of the Lender and may not benefit from any set-off between the Lender and the borrower. If assets held by the agent for the benefit of the clients were determined to be subject to the claims of the agent's general creditors, the clients might incur certain costs and delays in realizing payment on the loan or loan participation and could suffer a loss of principal or interest.

Asset-Based Lending Risk. Clients may invest in asset-based loans and securities backed by asset-based lending arrangements where availability depends on the value of pledged collateral, including accounts receivable, inventory, equipment, and other operating assets. Such investments are subject to borrowing base redetermination risk where a decline in collateral value may trigger mandatory repayment obligations the borrower cannot satisfy; collateral deterioration risk from obsolescence or market conditions impairing realizable value; risk with respect to receivables from returns, discounts, or chargebacks; and bankruptcy avoidance risk, where the substitution of inventory collateral may be challenged as a preferential transfer. Enforcement remedies are subject to applicable perfection and priority requirements, and procedural deficiencies may impair recovery in a borrower insolvency.

Loans Are Illiquid. There will be a limited trading market for the loans, and in certain instances there may be effectively no trading market therefor. The intercreditor agreement applicable to a Mezzanine Loan may prohibit the transfers of interests to persons other than certain institutional investors which may be required to have certain credit characteristics and/or capital resources. This will restrict a client's ability to dispose of these investments to a limited universe of investors and may affect the price at which such investments can be sold. Loans are not currently listed on any securities exchange or automatic quotation system, but are traded by banks and other institutional investors engaged in loan syndication. As a result, no active market may exist for some loans, and to the extent a secondary market exists for other loans, such market may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods. Consequently, the clients may have difficulty disposing of assignments or

participations in response to a specific economic event such as deterioration in the creditworthiness of the borrower, which can result in a loss. The loans acquired by the clients may be unsecured or undersecured. The illiquidity of certain investments may restrict a client's ability to dispose of investments in a timely fashion and for an attractive price. Illiquid assets may trade at a discount from comparable, more liquid investments.

Insufficient Collateral. To the extent Axonic originates loans based partly upon the adequacy of the borrower's collateral, an incorrect valuation of such collateral may result in losses. Despite performing due diligence on collateral, which may include engaging third-parties to estimate collateral value, the inherent uncertainty of collateral valuation may result in values that differ significantly from those ultimately obtainable. In addition, even if collateral is initially valued correctly, changes in market conditions, regulations, or other circumstances may adversely affect the collateral values.

Appraisal, Automated Valuation, and Third-Party Valuation Risk. The underwriting of mortgage loans and the valuation of structured credit instruments backed by real estate collateral depend significantly on the accuracy of third-party appraisals, automated valuation models (“AVMs”), broker price opinions (“BPOs”), and desk reviews. Appraisal and valuation risk encompasses: (i) appraisal inflation risk, reflecting the tendency of appraisers retained by loan originators to reach values that support loan closing rather than independent assessments of market value, particularly in rapidly appreciating markets; (ii) AVM risk, where algorithmically derived valuations used in residential underwriting may fail to capture property-level condition deficiencies, title irregularities, functional obsolescence, or neighborhood-level factors that are not reflected in comparable sales data used to calibrate the model; (iii) BPO and desk review risk, where cost-containment practices in loan origination and portfolio review result in collateral valuations that are materially less reliable than full appraisals prepared under market standards; (iv) commercial real estate appraisal methodology risk, including the sensitivity of income capitalization valuations to assumed capitalization rates, vacancy rates, and lease renewal assumptions, each of which involves significant professional judgment and may diverge substantially from subsequent market outcomes; and (v) environmental condition risk for commercial properties, where pre-acquisition environmental due diligence may not identify contamination conditions that emerge post-acquisition, creating unforeseen remediation obligations that may equal or exceed the property's market value. Even where Axonic engages independent third-party valuers, the inherent uncertainty of real estate valuation means that collateral values reflected in underwriting models may differ materially from values realized in foreclosure or distressed sale scenarios. There can be no assurance that collateral valuations will prove accurate, and material overvaluation of collateral may result in losses that significantly exceed those projected at origination or acquisition.

Secured Loan Enforcement. A client may be exposed to losses resulting from default. The validity or enforceability of the obligation and the maintenance of the anticipated priority and perfection of applicable security interests will impact the client's recovery on a defaulted obligation. Furthermore, claims may be asserted that might interfere with enforcement against the obligor or the collateral. In the event of enforcement against the collateral for an obligation in certain jurisdictions, a client may assume direct ownership of the collateral. Liquidation proceeds upon sale of collateral may not satisfy the entire

outstanding balance of the obligation, and any costs or delays involved in enforcement against the collateral or its liquidation will further reduce the proceeds and increase the loss. The enforcement against the collateral may prevent the client from seeking recovery against the borrower or any guarantor in certain jurisdictions.

Securitization. To the extent clients participate, directly or indirectly, in a securitization, the clients, Axonic or their affiliates (or any of them) may be deemed to be an issuer, obligor, underwriter, control person, willing participant or person liable under the U.S. Securities Act of 1933 and/or the U.S. Securities Exchange Act of 1934, and accordingly may have liability to investors in the securitization transaction for, among other reasons, a material misstatement or omission in the offering document (including under Sections 11 and 12(a)(2) of the Securities Act of 1933) or a failure to comply with private placement or resale limitations. The clients will indemnify Axonic and its affiliates from and against such liabilities. The clients also may make representations, covenants and warranties to and indemnify and exculpate certain parties to the securitization transaction, including the investment banks structuring the transaction, the placement agents and rating agencies. The obligations under these representations, covenants, warranties, and indemnities may survive the clients' ownership of assets related to the transaction. In order to participate in certain securitization transactions, the clients may be required, including under applicable regulations, to retain an interest in certain securities issued in these securitization transactions for a longer period than it otherwise would have had such retention obligation not existed.

Risk Retention Risk. When Axonic or a client acts as securitization sponsor or as a third-party purchaser in CMBS transactions, the relevant client is required to retain credit risk for minimum holding periods and is subject to restrictions on hedging and transfer of the retained interest. These obligations may also impose representations, warranties, covenants, and indemnification obligations on the client. Failure to comply could result in significant liability, including repurchase obligations with respect to securitized assets. Retention of subordinated or residual interests increases the client's concentration in first-loss positions, heightens illiquidity risk, and magnifies market risk. The applicable regulatory framework is subject to change, which could further restrict or adversely affect the client's securitization activities.

Consumer Loan Risk. Investments in consumer loans, including personal instalment loans, auto loans, and other consumer credit obligations, involve risks that differ from those applicable to commercial and real estate loans. Consumer loans are typically unsecured or secured by depreciating assets. Borrowers are entitled to the protections of extensive federal and state consumer finance laws, and various state usury, licensing, and consumer protection statutes. Violations of these laws may void the enforceability of a loan, permit borrowers to assert affirmative defenses or set-off claims, expose the client to statutory damages, civil penalties, and class action liability, and trigger regulatory examinations or enforcement actions by the CFPB, state attorneys general, or state banking regulators. Consumer loan performance is highly sensitive to macroeconomic conditions, including unemployment rates and household income levels. Recoveries on defaulted consumer loans are generally lower and less certain than on secured commercial or real estate obligations, and consumer loans may be discharged in bankruptcy or subject to state protections that limit post-default remedies and recoveries.

Equity Securities. Equity securities, including preferred equity, involve a high degree of risk and are subordinate to an issuer's debt. Prices fluctuate in response to issuer-specific events and general market conditions. Investments in small companies may involve additional risks, as they may lack management depth or have limited financial resources compared to larger competitors.

Premium Finance and Annuity Risk. Clients may consider investing in premium finance transactions and annuity products. Such investments may be subject to interest rate risk, policy lapse risk, insurer and issuer credit and insolvency risk, longevity risk, state licensing and consumer protection compliance risk, and tax risk, each of which may result in a loss of the invested amount.

D. Derivatives and Trading Risks

Interest Rate Risk and Interest Rate Swaps. Certain clients are subject to interest rate risk. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term securities than for short-term securities. The clients may attempt to minimize the exposure of the portfolios to interest rate changes through the use of interest rate swaps, futures and options, and treasuries. Clients may enter into interest rate swaps to hedge interest rate exposure or to gain exposure to interest rate movements. Interest rate swaps expose the client to counterparty credit risk, as the failure or insolvency of a swap counterparty may result in the loss of the economic benefit of the swap and, in a cleared transaction, expose the client to the credit risk of its futures commission merchant and the applicable clearinghouse. There can be no assurance that such hedges will be implemented and, if implemented, will be successful in mitigating the impact of interest rate changes on client investments.

Credit Default Swaps and Options. The buyer of a credit default swap is obligated to pay the seller a periodic stream of payments over the term of the contract in return for one or more contingent payments upon the occurrence of a credit event with respect to one or more underlying reference obligations. Generally, a credit event means, (i) with respect to corporate reference obligations, bankruptcy, failure to pay and, in certain cases, restructuring, (ii) with respect to municipal or sovereign reference obligations, failure to pay, restructuring and, in certain cases, moratorium, and (iii) with respect to asset-backed security reference obligations, principal writedowns and interest shortfalls. If a credit event occurs under a swap referencing a corporate, sovereign or municipal reference obligation, the buyer typically receives the notional amount of the reference obligation subject to an obligation to physically deliver the notional amount of the reference obligation (or other permitted security) to the seller. In many cases, the parties to the swap will agree to an industry-wide cash-settlement auction process. Following a credit event and physical delivery or cash settlement, a swap referencing a corporate, sovereign or municipal reference obligation will terminate. If a credit event occurs under a swap referencing an asset backed security reference obligation, the buyer typically receives a payment calculated by reference to the principal writedowns and interest shortfalls under a notional amount of the reference obligation. Entering into a credit default swap may require an upfront payment be made by the buyer or seller thereunder. Credit default swaps may be cleared or uncleared and the clients may be either the buyer or seller of a cleared or

uncleared credit default swap. For a discussion of counterparty and settlement risk applicable to cleared and uncleared transactions, see “Counterparty and Settlement Risk” below. If a client is a buyer and no credit event occurs, the client will have made payments under the swap and received nothing. The selling of credit default swaps involves additional risks to those posed by investing in the reference obligation directly, including counterparty and settlement risks described in “Counterparty and Settlement Risk” below. Credit default swaps may be on individual names, a basket of names or an index. Clients may also buy or sell options on credit default swaps. In addition to general market risks, credit default swaps are subject to liquidity risk, and may be more or less liquid than the underlying reference obligations.

Variance Swaps. Variance swaps are subject to various risks, including market volatility risk. When a client is long a variance swap, its potential losses are capped as volatility cannot be lower than zero. However, when a client is short a variance swap, it will incur potentially unlimited loss. When market sentiment deteriorates, resulting in market expectations of higher future volatility, the value of a variance swap increases, resulting in gains for a long position and losses for a short position. In certain situations, such as when an exchange unexpectedly has to suspend trading, the price of the underlying investment might not be observable, which can trigger a market disruption event. The occurrence of a market disruption event impacts the valuation of variance swaps in that it changes the way realized volatility is computed.

Swaptions. Swaptions are subject to various risks, including interest rate risk, market volatility risk, counterparty risk, liquidity risk and risks associated with the use of leverage. When a client purchases a swaption, it risks losing only the amount of the premium it has paid should it decide to let the swaption expire unexercised. However, when a client writes a swaption, upon exercise of the option that client will become obligated according to the terms of the underlying swap agreement, which could result in a potentially unlimited loss. During the life of the swaption, its price will be affected by the level of volatility in the interest rate swap market and by the market's expectation of future volatility. Swaptions have levered exposure to the underlying swap, so that high realized volatility in the underlying swap can result in even higher volatility in the price of a swaption. Swaptions are over-the-counter instruments and therefore involve counterparty risk. Swaptions may also expose a client to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding contracts, in which case that client may be required to maintain a position until exercise or expiration, which could result in losses, or have to unwind it at an unfavorable price.

Inflation Swaps. Certain clients may utilize inflation swaps, including zero-coupon and year-on-year structures referencing U.S., European, U.K., and other inflation indices, to hedge against or gain exposure to inflation. Inflation swaps are over-the-counter or cleared instruments that expose the client to counterparty credit risk, basis risk (the reference index may not accurately track the risk intended to be hedged), and the risk of index methodology changes, retroactive revision, or discontinuation by the relevant statistical authority. Inflation swaps are generally less liquid than nominal interest rate swaps, with liquidity varying materially across currencies and indices; market conditions may limit the client's ability to establish or unwind positions at favorable prices. Mark-to-market valuations are sensitive to changes in implied breakeven inflation rates and real interest rates, and positions denominated in non-US

dollar currencies also expose the client to foreign exchange risk. There can be no assurance that the client's use of inflation swaps will achieve its intended objectives.

Foreign Exchange Forwards. Foreign exchange forward contracts are relatively unregulated investments. There are no limitations on daily price moves in such contracts and speculative position limits are not applicable to such contract trading. Performance of contracts is not guaranteed by any exchange or clearinghouse. As a result, the clients are subject to counterparty performance risk; see "Counterparty and Settlement Risk" below.

Futures and Options on Futures. The use of futures is a specialized activity that involves investment strategies and risks different from those associated with ordinary portfolio securities transactions, and there can be no guarantee that their use will increase a client's return or not cause a client to sustain large losses. While the use of these instruments by a client may reduce certain risks associated with portfolio positions, these techniques themselves entail certain other risks. Futures and options on futures expose the client to counterparty and clearing risks; see "Counterparty and Settlement Risk" below. A client could experience losses if the values of its futures positions were poorly correlated with its other investments, or if it could not close out its positions because of an illiquid market. In addition, a client will incur transaction costs, including trading commissions, in connection with its futures transactions. There is no assurance that a liquid market will exist for futures contracts or options on futures purchased or sold, and a client may be required to maintain a position until exercise or expiration, which could result in losses. Many futures exchanges limit the amount of fluctuation permitted in contract prices during a single trading day. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit. Contract prices could move to the daily limit for several consecutive trading days permitting little or no trading, thereby preventing prompt liquidation of futures and options positions and potentially subjecting a client to substantial losses.

Short Sales. Short selling, or the sale of securities not owned by a client, necessarily involves certain additional risks. Such transactions expose a client to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by a client in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein a client might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

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

Hedging and Derivative Risks. While clients may use derivatives (swaps, futures, forwards) for hedging, these transactions may not be fully effective and can result in poorer overall performance. Imperfect correlation between the hedge and the portfolio position can lead to losses exceeding those that would have occurred without the hedge. Furthermore, some risks, such as general credit risk or particular property-level risk, cannot be effectively hedged.

Synthetic and Credit-Linked Note Exposure Risk. The clients may gain exposure to structured credit instruments through bespoke synthetic instruments, credit-linked notes (“CLNs”), total return swaps, or other structured derivative arrangements that reference the performance of an underlying reference obligation or portfolio rather than conferring direct beneficial ownership. Synthetic and structured note exposures present risks distinct from those applicable to direct cash holdings, including: (i) the absence of beneficial ownership in the underlying reference obligations, which eliminates voting rights, enforcement rights, access to servicer reports and periodic disclosure, and the ability to participate in creditor committees or restructuring negotiations available to direct certificate holders; (ii) layered counterparty credit risk, under which the client’s recovery depends on both the performance of the reference portfolio and the financial condition of the swap or note counterparty in a dual-default scenario, and the client may receive no recovery even if the reference obligations perform; (iii) the risk that the relevant documentation does not precisely replicate the economic exposure of a direct holding, including definitional differences regarding what constitutes a credit event, the settlement methodology applicable upon a credit event, accrued interest treatment, and the treatment of principal writedowns and interest shortfalls specific to ABS reference obligations under the relevant documentation; (iv) mark-to-market margining risk under the relevant documentation, including the risk of valuation disputes with the counterparty, threshold and minimum transfer amount mechanics that may result in collateral calls at commercially disadvantageous times, and the risk that collateral posted by the client is rehypothecated by the counterparty and becomes unavailable upon counterparty insolvency; and (v) for CLN structures issued by special purpose vehicles (an “SPV”), the additional issuer insolvency risk and the risk that the SPV’s collateral arrangements do not perfectly hedge its payment obligations to CLN holders, creating structural basis risk between SPV assets and SPV liabilities. The synthetic structured credit market may be less liquid than the corresponding cash market, and the clients may be unable to exit synthetic positions at favorable prices or at all in stressed market conditions.

TBA Market. The Systematic Arbitrage clients may invest in agency mortgage-backed securities through the to-be-announced (“TBA”) market, in which the seller agrees to deliver mortgage-backed securities meeting specified criteria at a future settlement date without identifying the specific pools at the time of trade. TBA market exposure presents risks distinct from those applicable to specified pool holdings. TBA market liquidity, while generally deep, can deteriorate rapidly in stressed market conditions, and the clients may be unable to unwind TBA positions at expected prices.

E. Leverage, Liquidity, Portfolio, and Strategy Risks

Leverage. A client may utilize leverage. Leverage increases returns to investors if the relevant client earns a greater return on leveraged investments than the client's cost of such leverage. However, the use

of leverage exposes the client to additional levels of risk including (i) greater losses from investments than would otherwise have been the case had the client not borrowed to make the investments, (ii) margin calls or changes in margin requirements or drops in the value of a client's net assets (including as a result of redemptions or withdrawals by Investors) may force premature liquidations of investment positions, (iii) losses on investments where the investment fails to earn a return that equals or exceeds the client's cost of leverage related to such investments and (iv) fluctuations in interest rates on the client's borrowings, which may have a negative effect on the client's profitability. Trading on margin involves borrowing against collateral; if the value of that collateral declines, the client may be subject to a margin call, requiring the immediate deposit of additional funds or the forced liquidation of assets at disadvantageous prices. In case of a sudden, precipitous drop in the value of the relevant client's assets, the client might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by the client. A client may find it difficult to obtain leverage on acceptable terms. Since leveraging its assets is part of the investment strategy of certain clients, in such event, the client could find it difficult to fully implement its strategy. In addition, any leverage obtained, if terminated on short notice by the lender, could result in the client being forced to unwind positions quickly and at prices below fair value for the positions.

Repurchase Agreement and Financing Facility Termination Risk. Many of the clients' structured credit investments are financed through repurchase agreements ("repo"), asset-backed credit facilities, and other short-term financing arrangements whose term may be substantially shorter than the expected holding period of the financed assets. This maturity mismatch between short-dated financing and long-dated, illiquid structured credit collateral creates a specific category of financing termination risk that is distinct from ordinary margin call risk, including: (i) simultaneous financing withdrawal risk, where a deterioration in general credit market conditions or in the perceived creditworthiness of structured credit collateral categories causes multiple repo counterparties to simultaneously reduce or eliminate financing availability for the same asset class, leaving the clients with no alternative financing source for assets that cannot be sold without incurring material losses; (ii) collateral haircut migration risk, where dealer-imposed haircut conventions for structured credit collateral increase in stressed markets, reducing the effective advance rate available to the clients and requiring immediate reduction in leveraged positions through asset sales at unfavorable prices; (iii) repo counterparty termination rights, which in standard repo documentation are broad and may permit a counterparty to terminate repo transactions and liquidate collateral with minimal notice in the event of a market disruption, a change in the counterparty's internal credit assessment of the collateral, or the occurrence of a contractual default event; (iv) the risk that emergency central bank financing programs and related programs historically made available during periods of extreme market stress, may not extend to the specific instruments, vehicle types, or collateral categories held by the clients, leaving the clients without access to emergency liquidity of last resort; and (v) re-use and rehypothecation risk, where collateral posted by the clients under repo arrangements is rehypothecated by the counterparty and may become unavailable in a counterparty insolvency, increasing the clients' unsecured creditor exposure. A sudden contraction of repo financing availability could force the clients to liquidate structured credit positions at prices that are materially below fair value, resulting in realized losses that could be substantially larger than would have been incurred through an orderly exit.

Concentrated Portfolio and Non-Diversification Risk. At times, a client may have a concentrated portfolio. Accordingly, a client's portfolio may not be diversified among a wide range of issuers, industries, geographic areas, capitalizations or types of securities and may have relatively significant, concentrated positions. For certain clients, Axonic is not required to maintain any specific level of diversification among types of investments, issuers, geographic areas, or industries. Concentration in a particular asset class, sector, issuer, or geography may expose the client to the risk that a single adverse development disproportionately impairs a material portion of the portfolio. As a result, the investment portfolio of a client may be subject to more rapid changes in value than would be the case if that client were to maintain a wide diversification among issuers, industries, geographic areas, capitalizations or types of securities. Investors should not assume that a client's portfolio will at any time reflect diversification across all or any particular combination of asset types, issuers, geographic areas, or industries.

Credit Ratings Risk. The credit rating assigned by a nationally recognized statistical rating organization ('NRSRO') to an investment represents only that rating agency's opinion of the safety of principal and interest payments based on information available at the time of rating. Such ratings are relative and subjective; they are not absolute standards of quality and do not evaluate market value risk, macroeconomic risk, or systemic risk, including the risk of increased illiquidity in the credit markets. Credit ratings may change over time as a result of changes in the creditworthiness of the issuer, changes in the rating agency's methodologies and analytical processes, or broader macroeconomic developments. These changes may occur quickly and without warning. Rating agencies may change their ratings criteria after issuance of a security, and any such change may adversely affect ratings previously assigned. Certain clients may have ratings requirements or capital charges relating to rating on investments, and an adverse change or withdrawal of a rating could precipitate the need to sell the investment at a loss or hold additional capital against the investment.

Illiquid Investments and Lack of Liquidity of Client Assets; Valuation; Incentive Allocation. A client's investments may, at any given time, include securities and other financial instruments or obligations that are thinly traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to value accurately any such investments. Axonic, on behalf of certain clients, may make investments in privately held companies or special purpose entities. There may be no trading market for these investments, and Axonic might only be able to liquidate these positions, if at all, at disadvantageous prices. In general, Axonic has discretion over how to value the investments of the clients. The valuation of any investment or liability involves inherent uncertainty. The value of an investment is determined in accordance with the applicable valuation policy, and may differ materially from the value that could have been realized in an actual sale or transfer for a variety of reasons, including timing, market conditions, the identity of the counterparty, and the size of the position. When Axonic is entitled to a greater management fee and an affiliate of Axonic is entitled to a greater incentive allocation when the assets of a client are valued at a higher amount, Axonic will have a conflict of interest in exercising discretion over the valuation of the assets of the client. The volatility and value of certain structured finance instruments are linked to the precision of the underlying evaluative and empirical

models used by Axonic. Furthermore, valuations are often based on pricing services estimates, which may not reflect true market-clearing levels in stressed environments or for larger positions.

Uncertain Exit Strategies. Due to the illiquid nature of certain positions the clients may acquire, Axonic may be unable to predict with confidence what the exit strategy for any given position will ultimately be, or whether any viable exit strategy will be available within the contemplated investment horizon. Exit strategies that appear viable at the time an investment is initiated may be unavailable by the time the investment is ready to be realized, due to adverse economic, legal, market, regulatory, or other factors. In particular, changes in market conditions for structured credit instruments, commercial real estate, or private credit assets may significantly impair the ability of the clients to dispose of investments at attractive prices or within expected timeframes. The implementation of an exit strategy can be complex, time-consuming, and costly. It is possible that the clients will be unable to realize their investment objectives through sale or other disposition at attractive prices or within their contemplated investment periods.

Risks Upon Disposition of Investments. In connection with the disposition of an investment, the clients may be required to make representations and warranties about the investment, the underlying assets, or the related business and financial affairs. In addition, the clients may be responsible for the contents of disclosure documents under applicable securities laws in connection with the sale or transfer of certain interests. The clients may also be required to indemnify purchasers, transferees, or underwriters to the extent that such representations, warranties, or disclosure documents are determined to be incorrect, inaccurate, or misleading. These arrangements may result in contingent liabilities that, to the extent not covered by insurance or indemnification from third parties, would reduce the net assets available to investors.

Supply of and Demand for Investment Opportunities; Competition. Among other factors, the returns on investments available in the marketplace are a function of the supply of investment opportunities and the amount of capital investing in such opportunities. Clients' returns fluctuate with the supply of, and demand for, investment opportunities available in the marketplace. An increase in the amount of capital seeking to invest in the same investment opportunities targeted by clients could reduce the returns available on such investments, compress risk-adjusted spreads, and make it more difficult for clients to achieve their investment objectives. Axonic operates in competitive markets and faces competition for the investment opportunities that it pursues. Axonic competes with broker/dealer firms, public and private funds, commercial and investment banks, commercial financing companies, insurance companies, high yield investors, hedge funds, direct lenders and, to the extent they provide alternative forms of financing, private equity funds. Some of Axonic's competitors are larger and have greater financial resources than Axonic, which may cause those competitors to have lower funding costs and better access to funding sources. In addition, some competitors may have higher risk tolerances or different risk assessment standards, which could allow them to consider a wider variety of investments or establish more referral relationships than Axonic. There can be no assurance that attractive investment opportunities will be available to clients in sufficient quantity or on acceptable terms at any given time.

Dependence on Key Individuals. The success of Axonic depends substantially upon the abilities of key professionals to develop and implement investment and financing strategies that achieve the clients'

investment objectives and to manage Axonic's operations. The loss of the services of any one or more key professionals could have a material adverse effect on the business of Axonic and, in certain cases, on the client investments. There can be no assurance that replacement personnel with comparable experience and expertise would be available. Axonic does not carry key person life insurance with respect to any of Axonic's professionals. Certain key individuals may also manage or advise other accounts or funds, which may limit the time and attention devoted to clients and create conflicts of interest in the allocation of investment opportunities.

Misrepresentation, Fraud and Documentation Risk. Clients face the risk that information or representations made by counterparties, borrowers, originators, sellers, servicers, or other transaction participants in connection with investments may contain a material misrepresentations, omissions or errors. Such inaccuracy or incompleteness may cause Axonic to inaccurately evaluate an investment opportunity and may lead to substantial losses. Investments in private instruments, whole loans, and structured credit assets may be more susceptible to irregular accounting practices, undisclosed liabilities, off-balance sheet liabilities, double pledging of the same collateral to multiple lenders, and fraud or intentional or unintentional misrepresentation by originators or borrowers. In the event of any of these by any transaction counterparty in connection with such investments, the clients may suffer a partial or total loss of capital invested. Under certain circumstances, payments to clients may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

F. Conflicts of Interest and Allocation Risks

Conflicts of Interest. Axonic serves as the investment manager to its clients. Affiliates of Axonic serve as the general partner to certain Funds, and Axonic affiliates, and their respective principals, members and employees (hereinafter referred to, together with Axonic, as the "Axonic Persons") may serve as the investment adviser or the investment manager to clients and conduct investment activities for their own accounts. Such activities may include making personal investments in real property, private companies, other private funds and public companies, in each case subject to Axonic's compliance policies and procedures. Such activities may be in competition with the clients. In particular, Axonic Persons may invest in the same positions as certain clients. Axonic Persons, in most cases, are not restricted as to the timing of the acquisition or disposition of such investments. Furthermore, Axonic Persons may sell such investments to dealers, market makers and other third parties immediately after purchase. A client may have investment objectives or may implement investment strategies similar to those of another client, and any particular client may pay higher or lower management or performance fees or allocations than those paid by another client, which may create a conflict for Axonic.

Purchase and sale, repurchase, financing and derivative and other transactions may be effected between or among clients and Axonic Persons subject to the guideline that Axonic believes such transactions will be fair to each client. Such transactions may include (i) the financing or subsequent purchase or both of an investment originated or acquired by one or more clients or Axonic Persons from other clients or Axonic Persons; (ii) transactions with an entity owned or controlled by Axonic Persons; (iii) the sale of

an investment from a client to another client in exchange for certain rights relating to such investment; (iv) the provision of financing by a client or Axonic Person to a client or Axonic Person; (v) clients and Axonic Persons investing in different tranches of the same new issue securitization; and (vi) investments in and contributions of assets by a client or Axonic Person or both to other clients, certain of which other clients may permit periodic subscriptions and withdrawals at their net asset value, as determined by Axonic in accordance with its valuation policy as in effect from time to time. There can be no assurance that the terms of any such transaction are as favorable to clients as those available from unaffiliated third parties.

Clients may invest, directly or indirectly, in (including by contributing assets in exchange for) the debt or equity of another client or other entity, including a REIT, an insurer or reinsurer (which may be considered a so-called captive (a "Captive Insurer")) or other U.S. or non-U.S. entity. This may be done for regulatory, tax or other reasons. The clients or Axonic Persons may or may not control such other entity, and clients may invest in the same or different tranches of the debt or equity of such other entity. An entity in which a client invests may also invest in such client or in another client (or both) or in an Axonic Person. Axonic's decision to invest in such entity will be made independently of any commitment by that entity to invest in a client or Axonic Person, but such an investment by a client could create a potential conflict of interest for Axonic.

In connection with certain clients' investment in securities backed by commercial real estate loans, Axonic may negotiate to appoint a servicer for the underlying loans and in connection with that appointment require the servicer to rebate to Axonic (on behalf of the client) a portion of the fees payable to the servicer by the trust or similar entity holding the loans. Any such amounts received by Axonic from these servicers will reduce on a dollar-for-dollar basis the management fee and/or expense reimbursement amounts payable to Axonic by such client (in proportion to such client's interest in such securities).

A client may co-invest, directly or indirectly, in (including by contributing assets in exchange for) the debt or equity of special purpose entities ("SPEs") in order to access or finance certain investments. A client may provide representations, warranties, covenants, guaranties, net worth keepwells, indemnities and other credit support ("Credit Support Agreements") to service or financing providers and counterparties to SPEs, which may survive the client's investment therein. A client may also enter into interest rate or other derivative transactions ("Hedge Agreements") with SPEs (or with third parties that are assigned or pledged to SPEs (or to counterparties to SPEs)) and such Hedge Agreements may be rehypothecated by SPEs to its financing providers and counterparties. A Credit Support Agreement provided by a client to a counterparty may be cross-defaulted to a default by another client, which means that the counterparty may enforce the providing client's Credit Support Agreement as a result of the other client's default. A cross default may cause an acceleration of the providing client's other financing arrangements and could materially adversely affect the providing client. Accordingly, this subjects the providing client to the credit and performance risk of such other client. Axonic has a potential conflict of interest in deciding whether or not to have providing client provide such a Credit Support Agreement or Hedge Agreement and whether or not to have the other client provide a contribution agreement as well as deciding on the terms thereof if any such contribution agreement is provided.

Axonic may cause one client (or an affiliate) to invest in another client and that investment may be significant. Any withdrawal by the investor client (or affiliate) could therefore have an adverse effect on the investee client both by decreasing the asset base of the investee client (and thereby increasing the expense ratio) and by having a disruptive effect on the portfolio of the investee client by compelling the investee client to liquidate securities at what may be a disadvantageous time. Axonic is a fiduciary to the investee client regarding portfolio management decisions such as when and how much leverage to use, when to liquidate investments, when to recommend suspending redemptions and similar decisions. As a result, the interests of the investor client (or affiliate) and investee client, and therefore the fiduciary obligations of Axonic to the investor client and the investee client, may be in conflict.

Clayton DeGiacinto controls Axonic and is a Director and Advisory Committee member of various Funds and a trustee of the 1940 Act Funds, and may have a conflict of interest with regard to his fiduciary duties to these clients and other clients. Other directors, trustees and advisory committee members of a Fund or 1940 Act Fund may also serve as a director, trustee or advisory committee member of another Fund or 1940 Act Fund. Accordingly, to the extent that the interests of a client and another client are inconsistent, such person may have a conflict of interest. Axonic Persons may have conflicts of interest in allocating their time and activities among clients, and in effecting transactions among clients, including ones in which Axonic Persons may have a greater financial interest.

1940 Act Co-Investment Conflict Risk. To the extent that a client registered as an investment company under the Investment Company Act of 1940 (the "1940 Act") co-invests alongside one or more other clients managed by Axonic, the regulatory requirements applicable to the 1940 Act fund may require or prevent actions that conflict with, or are adverse to, the investment objectives or economic interests of the clients. The 1940 Act imposes restrictions on affiliated transactions, leverage, asset concentration and the issuance of senior securities that do not apply to private funds or other clients not subject to the 1940 Act, and requires independent board approval for certain transactions. These constraints may prohibit or limit the 1940 Act Fund's ability to participate in loan restructurings, workouts, enforcement actions, additional loan fundings, or other remedial measures that a co-investing other client would otherwise pursue. Conversely, regulatory requirements applicable to a 1940 Act Fund may compel it to reduce or exit a co-invested position at a time or price that is disadvantageous to the co-investing other client. Where the interests of a 1940 Act Fund and the co-investing other client diverge as a legal matter under the 1940 Act, Axonic may face conflicting fiduciary obligations to the two clients that cannot be reconciled in a manner fully satisfactory to both. Axonic will seek to manage these conflicts in accordance with its fiduciary duties and compliance policies, but there can be no assurance that actions required or precluded by the 1940 Act will not adversely affect the returns of the co-investing other client or vice versa.

Affiliated Insurer Conflict Risk. Axonic together with Axonic Persons indirectly owns, and may in the future own, a controlling or non-controlling interest in one or more insurance or reinsurance companies (collectively, "Axonic Insurance"), that maintains an investment portfolio managed, in part, by Axonic that consists of assets that are the same as, similar to, or directly competitive with, the assets held by other clients, including without limitation structured credit securities, CMBS, RMBS, ABS, CLOs, whole loans, mezzanine loans, RTLs and other instruments that constitute the principal investment universe of the

Structured Credit clients and 1940 Act Funds. The Axonic Insurance investment accounts (collectively, the "Axonic Insurance Account") are a client of Axonic, and as such compete with the private Funds, the 1940 Act Funds and other clients (collectively, "Other Clients") for the same investment opportunities. This arrangement creates actual and potential conflicts of interest in a number of respects. When allocating investment opportunities among the clients, Axonic must decide how to divide attractive opportunities among the Other Clients and the Axonic Insurance Account. The Axonic Insurance Account may have different investment horizons, regulatory capital requirements, risk-based capital constraints, ratings requirements, asset-liability matching obligations, and liquidity needs than the Other Clients, which may cause Axonic to favor or disfavor the Axonic Insurance Account in the allocation process in ways that are adverse to the Other Clients or the Axonic Insurance Account. Regulatory capital requirements applicable to Axonic Insurance under applicable insurance law and the National Association of Insurance Commissioners ("NAIC") or other applicable risk-based capital standards may require or cause the Axonic Insurance Account to hold, sell, or restructure positions at times or on terms adverse to the Other Clients when there is cross ownership of the position. Asset-liability management requirements may compel the Axonic Insurance Account to exit positions at prices and times that disadvantage Other Clients holding the same positions. Axonic will seek to conduct all transactions between the Axonic Insurance Account and the Other Clients on terms it believes to be fair to each client, but there can be no assurance that such terms are as favorable to the Other Clients or the Axonic Insurance Account as those available from unaffiliated third parties.

Investment Allocation Conflicts. Axonic provides investment services to multiple clients with overlapping investment objectives and strategies. In such circumstances, Axonic faces conflicting loyalties in determining whether an investment opportunity should be allocated to a specific client, Axonic Persons' own account, or another affiliate. While Axonic seeks to allocate opportunities in a fair and equitable manner over time, the application of allocation guidelines may result in a client not participating, or participating to a lesser extent, in an investment opportunity than would have been the case if the conflict did not exist.

Co-Investment Incentives. The offering and allocation of co-investment opportunities may, in certain circumstances, be wholly or partially at Axonic's discretion, and in such cases Axonic is incentivized to offer these opportunities to certain co-investors over others when the economic arrangement is more favorable to Axonic; for example, when a co-investor is an affiliate or when Axonic can retain a greater portion of fees, management fees and incentive allocations.

Investments in Service Providers and Originators. Axonic may invest in service providers, originators and counterparties to clients. Axonic is incentivized to structure transactions for clients to use these investee entities, which may generate economic benefits for Axonic that do not offset the fees paid by clients. There can be no assurance that the cost to the client of using such investee entities will be as favorable as that available from certain other third parties.

Capital Structure Investment Conflicts. Certain clients invest in a broad range of asset classes throughout the capital structure. These investments may include investments in loans, debt securities, securitization tranches, and preferred and common equity securities. As a result, a client may hold investments in of an

issuer in which other clients invest in or have an interest in different parts of the capital structure. If the issuer becomes insolvent, restructures, or suffers financial distress, there may be a conflict between the interests of a client and those other clients insofar as the issuer may be unable to satisfy the claims of all of its creditors and security holders. Under these circumstances, it may not be feasible for Axonic to reconcile the conflicting interests of each client in a way that protects each client's interests. Additionally, Axonic or its nominees may hold board or creditor committee memberships that may require them to vote or take other actions in capacities that might pose a conflict between Axonic and clients.

Expense Allocations. Common expenses frequently will be incurred on behalf of multiple clients. Axonic seeks to allocate those common expenses in a manner that is fair and reasonable over time. However, expense allocation decisions will involve potential conflicts of interest in allocating expenses among clients. Under our current expense allocation policy, Axonic generally expects to allocate common expenses among clients (i) pro rata based on the client's assets under management at the time the expense is paid or (ii) with respect to diligence, legal and related transactional expenses related to investments (whether or not consummated), pro rata based on the amount of investment, or in the case of an unsuccessful investment pro rata based on the amount of committed or anticipated investment of the client at the time the deal is broken. Axonic may, however, deviate from these pro rata allocations where the nature of the expense or other relevant factors would make it fair, reasonable and equitable to do so, as determined in Axonic's sole discretion.

Material Non-Public Information Risk. In the course of its investment activities, including loan origination, direct lending, loan workouts, creditor committee participation, and due diligence conducted under non-disclosure agreements, holding junior tranches of securitizations, Axonic may receive material non-public information concerning issuers, borrowers or obligors whose securities or obligations are held in client portfolios, and receipt of such information may limit Axonic's trading, hedging, or otherwise adjusting affected positions for an indefinite period, potentially preventing timely exit from deteriorating investments, impairing the ability to execute hedges, and causing the clients to incur losses that would not have occurred absent the limitation. There can be no assurance that information barriers or other compliance procedures will in all cases prevent the inadvertent receipt of material non-public information or eliminate the trading restrictions that result therefrom.

G. Operational and Technology Risks

Cybersecurity Risk. The information and technology systems of Axonic and of key service providers to Axonic and its clients may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although Axonic has implemented various measures designed to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for Axonic to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems and/or of disaster recovery plans for Axonic or its service providers

for any reason could cause significant interruptions in the operations of Axonic or its client accounts and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information, reputational harm, regulatory scrutiny and financial loss.

Risk Management Failures. Although Axonic attempts to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Moreover, many risk management techniques, including those employed by Axonic, are based on historical market behavior and certain statistical methods, but future market behavior may be entirely different and, accordingly, the risk management techniques and statistical methods employed on behalf of clients may be incomplete or altogether ineffective. Similarly, Axonic may be ineffective in implementing or applying risk management techniques. Any inadequacy or failure in risk management efforts could result in material losses to clients.

Systems and Operational Risks; Artificial Intelligence Risks. Axonic relies on certain financial, accounting, data processing and other operational systems and services that are employed by Axonic and/or by third party service providers, including prime brokers, the third-party administrator, market counterparties and others. Many of these systems and services require manual input and are susceptible to error. These programs or systems may be subject to certain defects, failures or interruptions. For example, Axonic and its clients could be exposed to errors made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or related to other similar disruptions in the clients' operations. For a discussion of cybersecurity risks applicable to Axonic and its service providers, see "Cybersecurity Risk" above. Any such errors and/or disruptions may lead to financial losses, the disruption of the client trading activities, liability under applicable law, regulatory intervention or reputational damage.

Axonic may employ artificial intelligence, machine learning, or other data-driven analytical tools in connection with its investment process and surveillance, including in the identification of investment opportunities, collateral analysis, credit underwriting, and risk management. Such tools may be unreliable and produce incorrect or misleading results that Axonic relies on to the detriment of clients. If the data used in developing or operating AI tools is incomplete, inaccurate, inadequate, or biased, the outputs of those tools may be flawed in ways that are not readily apparent and that adversely affect investment decisions. Axonic may have limited ability to control how third-party AI tools are developed, maintained, or retrained, or how data input into such systems is used or disclosed, even where contractual protections have been sought. The regulatory environment governing AI use is developing rapidly and is not fully settled. The use of AI tools across the structured credit market may mean that insights once available only to sophisticated analysts may become more broadly accessible, potentially compressing the information advantages on which Axonic's strategy depends and tightening risk-adjusted returns across the structured credit opportunity set. There can be no assurance that Axonic's use of AI or related tools will provide any competitive advantage or that the clients' returns will not be adversely affected by the broader adoption of such technologies across the market.

Social Media and Misinformation Risk. The widespread use of social media platforms, message boards, and other internet-based communications channels has created significant risks for investment managers,

their funds, and clients. Information, whether accurate or not, can spread rapidly across large segments of the investing public without independent verification, and the dissemination of false, misleading, or selectively presented information regarding Axonic, the clients, or their investments could cause material harm to the clients' investments, financing and reputation.

Proprietary Models. Axonic carries out its investment process and risk control procedures, in part, by applying various trading models (including proprietary models developed by it). These models are used to evaluate prospective investments, as well as to monitor and value existing holdings. The accuracy and effectiveness of these models cannot be assured.

Use of Quantitative Methodologies. The quantitative methodologies used by Axonic to make investments for the Systematic Arbitrage clients in relation to certain quantitative strategies or transactions (collectively, the "Quantitative Strategy clients") utilize historical data. Financial and economic patterns, trends and relationships are subject to change, and there is no assurance that the patterns, trends and relationships that appear to Axonic to govern any investments or markets will continue to or actually govern such investment or market today or in the future. While Axonic will make efforts to control the risks associated with market changes, and will attempt to identify changes as they occur, market environment changes can be sudden and extreme. When these changes occur, certain market dynamics can make the changes more severe and can cause their adverse effects to spread to other markets not affected by the initial changes. In particular, events can cause other market participants to liquidate large positions in a short period of time in order to raise capital, reduce risk or meet margin calls. To the extent that these market participants hold positions in a portfolio similar to that of the Quantitative Strategy clients, all of these strategies may begin to exhibit adverse returns and correlations not seen under normal market conditions, even if the initial changes were in markets in which the Quantitative Strategy client was not involved. Positions that would typically serve as hedges may actually move in tandem with the instruments they were initially attempting to hedge, adding further risk to the Quantitative Strategy clients. The proliferation of liquid, CFTC-regulated event contract markets, including contracts referencing Federal Reserve policy decisions, inflation outcomes, and other macroeconomic variables material to the clients' investments, introduces a class of real-time probability signals that Axonic's proprietary models may not incorporate properly or at all. The extent to which the growing adoption of such signals by institutional market participants, dealer counterparties, and competing managers affects the clients' valuations, hedge performance, or relative competitive position is uncertain.

Statistical Measurement Error. Many of the trading methodologies employed by Axonic in connection with the Quantitative Strategy clients rely on patterns inferred from the historical series of prices. Even if all of the assumptions of the models underlying the strategies were met exactly, the model can only make a prediction, which can be far from certain. Further, statistically-based models cannot fully match the complexity of the financial markets and as such, results of their application are uncertain. In addition, changes in underlying market conditions can adversely affect the performance of a statistical model.

Reliance on Technology. Certain of Axonic's methodologies may be highly reliant on technology, including hardware, software and telecommunications systems. Trade execution, data gathering, risk management and accounting systems all integrally require a high degree of automation and

computerization. The incidence of software errors should be reduced by internal testing and the impact of such errors should be reduced by independent safeguards in the applicable software code. However, software errors could result in the execution of unanticipated trades. Errors in the code may be hard to detect and can potentially degrade or impact results over a long period of time. Further, to the extent that a software or hardware malfunction or problem is caused by a defect, virus or other outside force, a client may be materially adversely affected.

Complexity. Certain clients use various blockers, trusts and special purposes entities to access certain assets and implement their investment objectives. These entities may be used for tax, regulatory, liability insulation or other purposes. While Axonic believes the benefits to using these entities outweighs the costs and risks associated therewith, their use adds cost and complexity to managing the business of the relevant clients, and they may not be effective in achieving their desired purposes.

H. Tax Considerations

U.S. Trade or Business Activities and Tax Considerations. While certain clients intend to conduct their activities so that Axonic can conclude (in consultation with its tax advisors) that it is more likely than not that such clients' income from its activities is not considered to be effectively connected with the conduct of a U.S. trade or business or otherwise subject to regular United States federal income taxation on a net basis, there can be no assurances in this regard. Notwithstanding its intent, such clients may directly or indirectly engage in certain activities that may be considered by the United States Internal Revenue Service (the "IRS") to be a U.S. trade or business or otherwise subject to U.S. federal income tax, including securitizations, loan acquisitions, workouts and other debt-related activities, as well as transactions in real property. If such clients were engaged in or deemed to be engaged in a U.S. trade or business in any year, such clients could be subject to United States federal income tax and branch profits tax on some or all of its income and profits (which could include income and profits from trading activities unrelated to such trade or business). The clients may be subject to state and local taxation as well. Any such taxation could adversely affect the investment returns of clients, possibly materially. While a client may instead conduct certain of these activities through U.S. or non-U.S. wholly- or partially-owned entities ("Blockers") that are themselves subject to taxation to attempt to insulate such client itself from direct taxation, the taxation of such Blockers would reduce the investment returns attributable to such activities, and effective control of those Blockers by Axonic personnel from within the U.S. may nonetheless subject non-US Blockers to federal, state and local taxation as well. In addition, dividends and certain other distributions and other payments by Blockers or other investments to a client will or may be subject to withholding tax. A client also may take positions with respect to certain other tax issues that depend on legal conclusions not yet addressed by the courts or by Treasury regulations or other guidance. Should any such position be successfully challenged by the IRS or other taxing authority (which challenge may occur subsequent to a client's ownership of the relevant investment), the investment returns of the client or Investor (or both) may be adversely affected. Clients and Investors should consult their own tax advisors concerning the tax issues relevant to an investment in a client.

I. Regulatory, Legal, and Compliance Risks

Risk of Litigation. Axonic and the clients may be named as defendants in a lawsuit or regulatory action and/or may otherwise pursue litigation, including in connection with investments. As a result of any such action, certain of the assets of the clients may be frozen, and the clients may not be able to liquidate certain of its investments. Litigation and regulatory actions, or threats thereof, can consume time and financial resources and can frequently lead to unpredictable delays or losses. Moreover, the outcome of such proceedings may materially adversely affect the value of certain investments, may be impossible to predict and may continue unresolved for long periods of time. The expense of prosecuting claims, for which there is no guarantee of success, and/or the expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by the relevant client and would reduce net assets. Such litigation involves substantial uncertainties and may impose substantial delay, cost and expense.

Clawback of Distributions; Preference and Fraudulent Transfer Risk. Distributions, redemption proceeds, and other payments received by clients and Investors may be subject to avoidance and recovery in a subsequent bankruptcy or insolvency proceeding relating to an investment. Distributions made during a period when the borrower or issuer was deemed to be insolvent, or involving a fraudulent conveyance or preferential transfer, or made without providing reasonably equivalent value, may be recoverable from clients or Investors regardless of good faith or knowledge of the underlying transaction. The receipt of a distributions, redemption proceeds, and other payments does not guarantee its retention, and amounts previously distributed may be required to be returned/

Counterparty and Settlement Risk. To the extent a client invests in swaps, derivatives or "synthetic" instruments, repurchase agreements, other over-the-counter transactions or non-U.S. securities or engages in securities lending, the client may take a credit risk with regard to parties with which it trades and may also bear the risk of settlement default. These risks may differ from those entailed in exchange-traded transactions, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. Any such default by a trading counterparty could result in losses to a client due to the delay of settlement of a transaction, loss of market gains or, in certain circumstances, loss of a portion or the full amount of the notional value of the transaction. A client's assets may be held in one or more accounts maintained for the client by counterparties, including its prime brokers, and some of the markets in which the client trades are "over-the-counter", such as derivatives, repurchase transactions and certain short positions. This exposes the client to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem or a counterparty insolvency, thus causing the client to suffer a loss. To the extent that swaps or repurchase, forwards or other transactions are cleared, a client will be exposed to the credit risk of its futures commission merchant or carrying broker, as applicable, and the related clearinghouse.

Custody and Prime Brokerage Risk. There are risks involved in dealing with the custodians or prime brokers who settle clients' trades. Under certain circumstances, including certain transactions where the client's assets are pledged as collateral for leverage from a non-broker-dealer custodian or a non-broker-dealer affiliate of the prime broker, or where a client's assets are held at a non-U.S. prime broker, the securities and other assets deposited with the custodian or broker may not be clearly identified as being assets of a client and hence the client could be exposed to a credit risk with regard to such parties. In addition, there may be practical or timing problems associated with enforcing the client's rights to its assets in the case of an insolvency of any such party. Certain clients maintain custody accounts with a prime broker (the "Prime Broker") or, at any time, with an affiliate of the Prime Broker. Although Axonic monitors the Prime Broker and believes it or its affiliate is an appropriate custodian, there is no guarantee that the Prime Broker, or any other custodian that these clients may use from time to time, will not become insolvent. A client and/or the Prime Broker may appoint sub-custodians in certain non-U.S. jurisdictions to hold the assets of the client. The Prime Broker may not be responsible for cash or assets which are held by sub-custodians in certain non-U.S. jurisdictions, nor for any losses suffered by a client as a result of the bankruptcy or insolvency of any such sub-custodian. A client may therefore have a potential exposure on the default of any sub-custodian and, as a result, many of the protections which would normally be provided to a client by a custodian will not be available to the client.

Lender Liability and Equitable Subordination. A number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various legal theories (collectively, 'lender liability'). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower, or has assumed a degree of control over the borrower resulting in the creation of a duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain of Axonic's investments, a client could be subject to allegations of lender liability. Under common law principles, if a lending institution intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors, engages in inequitable conduct, or uses its influence to dominate or control a borrower to the detriment of other creditors, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditors (equitable subordination). A number of Axonic's investments may involve situations where the client would not be the lead creditor; accordingly, lender liability or equitable subordination claims affecting a client's investments could arise without the direct involvement of such client.

NAIC Regulatory Scrutiny of Asset Manager-Owned Insurers. The NAIC and state insurance regulators have significantly increased scrutiny of insurance and reinsurance companies owned or managed by private equity firms and alternative asset managers, such as Axonic. Regulators are examining the terms and arms-length nature of investment management agreements, the risk profile of structured credit assets held by insurance company affiliates (including CLOs and other ABS), the appropriateness of investment ratings, affiliated investment conflicts, and the overall relationship between alternative asset managers and affiliated insurers. To the extent Axonic manages assets for an affiliated insurer, this heightened regulatory focus may increase the risk of regulatory action against Axonic, result in new or amended regulations that limit or impose additional conditions on investment management agreements with

affiliated insurance company clients, increase compliance costs, and constrain Axonic's ability to maintain or grow its insurance asset management strategy. Any resulting regulatory change could have a material adverse effect on Axonic's business.

Insurance Regulatory Capital and Structured Credit Demand Risk. Insurance companies constitute a significant source of structural demand for structured credit securities across the investment-grade and sub-investment-grade portions of the capital structure, including investment-grade CLO tranches, CMBS, and ABS. Changes to the NAIC risk-based capital (“RBC”) framework applicable to structured credit investments held by insurance company investors can cause forced selling or a sustained reduction in new-issue demand across entire asset classes, materially impairing the secondary market liquidity and pricing of instruments held by the clients.

Accounting Risk. Accounting assessments for transfers, participations and securitizations are complex, subjective and may evolve over time. A client may not achieve derecognition of assets it sells, transfers or participates, or may be required to consolidate an issuer, special purpose vehicle, intermediate holding entity or subsidiary (for example, where the client is deemed to have controlling rights or to be the primary beneficiary of a variable-interest entity). Consolidation (or a failure to derecognize transferred assets) can cause the client to reflect the securitization vehicle’s assets and liabilities on its financial statements, thereby increasing reported leverage, which may impact financial covenants or regulatory capital requirements, and, in some cases, result in senior securities exposure for purposes of Section 18 of the 1940 Act. Changes in facts and circumstances, control or economic exposure, or changes in accounting interpretations, regulatory guidance or their application by auditors, regulators or others could require consolidation (or re-consolidation after initial non-consolidation). If consolidation or failed derecognition were to cause a client to exceed applicable asset coverage or other limits, the client could be required to sell assets, unwind or restructure positions or otherwise take corrective actions, potentially at disadvantageous times or prices, to restore compliance, which could result in realized losses, reduced income and increased volatility. Consolidation can also trigger additional covenants, reporting and operational burdens and may affect tax treatment.

J. Other General Risks

Non-U.S. Investments. Investing in instruments of non-U.S. issuers, including certain securitizations, which may be denominated in currencies other than the U.S. dollar and may be governed by laws of a foreign jurisdiction, and utilization of foreign currency forward contracts and options on foreign currencies, involve certain considerations comprising both risks and opportunities not typically associated with investing in securities of United States issuers. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of non-U.S. taxes (including non-U.S. withholding taxes and transfer and stamp taxes), less liquid markets and less available information than are generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards, greater price volatility, and reliance on non-U.S. servicers and service providers.

Currency Risks. A client's investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

Frequent Trading. To the extent that a client engages in frequent trading, such frequent trading can increase costs, including brokerage and other transaction costs and taxes, which can affect investment performance.

For a more complete discussion of the risks involved in investing in a particular Fund please see the relevant offering documents and subscription materials.

Item 9: Disciplinary Information

Neither we nor any of our management personnel are subject to, or have in the past been subject to, any criminal or civil action in any domestic or foreign court, or any administrative proceedings before the SEC or any other state, federal or foreign financial regulatory authority, of the type required to be disclosed under this Item 9.

Item 10: Other Financial Industry Activities and Affiliations

Axonic applied for approval as a registered Commodity Pool Operator with the CFTC in December 2012 and was approved in February 2013. Axonic was simultaneously approved as a member of the National Futures Association (“NFA”).

Axonic Insurance shares office space and certain overhead services with Axonic. Axonic and its members and employees do not have any relationships or arrangements with other financial services companies, other than Axonic Insurance, that pose material conflicts of interest.

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

Code of Ethics

Pursuant to Rule 204A-1 under the Advisers Act, the Firm has adopted a written Code of Ethics predicated on the principle that we owe a fiduciary duty to our clients. The Code of Ethics is designed to address and avoid potential conflicts of interest and is applicable to the Firm’s officers, directors, members, partners and employees (collectively referred to as “**employees**”). We require our employees to act in our clients’ best interests, abide by all applicable regulations and avoid any action that is, or could even appear to be, legally or ethically improper.

Our Code of Ethics requires, among other things, that our employees, pre-clear certain personal securities transactions; report personal securities transactions on at least a quarterly basis; provide us with a detailed summary of certain securities holdings (both initially upon commencement of employment and annually

thereafter) over which such employees have a direct or indirect beneficial interest; and certify their compliance with the Code of Ethics on an annual basis. Trading in employee accounts will be reviewed by the Chief Compliance Officer and compared with transactions for the client accounts and reviewed against the restricted securities list. Our Code of Ethics forbids employees from trading on inside information in violation of federal securities laws, and we have designed and implemented policies and controls to prevent trading on the basis of inside information in violation of federal securities laws.

A copy of our Code of Ethics will be provided to any current or prospective client or Investor upon request.

Employees may have and make personal investments in certain Funds and 1940 Act Funds. Subject to compliance with the Code of Ethics, employees also may have and make personal investments in real properties, private companies, other funds and public companies, any or all of which at any time may be in competition with the clients.

Principal and Cross Trades

A principal transaction occurs when an investment adviser, acting for its own account (or the account of an affiliate) buys a security from, or sells a security to, a client's account. We will conduct all principal transactions, if any, according to the disclosure and client consent requirements of Section 206(3) of the Advisers Act. The precise application of these disclosure and consent requirements may depend on the transaction.

Axonic may, to the extent permitted under applicable law, effect client cross-transactions or principal transactions where a transaction is effected between a client, on the one hand, and Axonic (or any of its affiliates) or another account advised by Axonic or an affiliate, on the other hand. The independent member(s) on the advisory board or advisory committee of a Fund may consent on behalf of such Fund to principal transactions and other related-party transactions as described in the offering documents for such Fund.

Certain "cross-trades" and principal transactions were completed among various clients during 2025 in accordance with Axonic's compliance policies and procedures.

Item 12: Brokerage Practices

As an adviser and a fiduciary to the clients, we require that the clients' interests must always be placed first and foremost, and our trading practices and procedures prohibit unfair trading practices and seek to disclose and avoid any actual or potential conflicts of interests or resolve such conflicts in the clients' favor. We have adopted the following policies and practices to meet the Firm's fiduciary responsibilities and to ensure our trading practices are fair to all clients and that no client is advantaged or disadvantaged over any other.

In selecting brokers for execution, we assess the overall quality and cost of services, including factors other than solely the level of compensation and commissions, including execution quality and reliability, depth of coverage, block positioning capability, firm reputation, responsiveness and financial strength, trading expertise, accuracy and timeliness, commission rates, research, market intelligence, availability of other market makers, operational efficiencies, fairness in resolving disputes, financial responsibility and responsiveness.

Soft Dollar Benefits

Although specific to each client, we are generally permitted by the applicable governing documents to utilize “soft dollars”, which are generated by trading activities to purchase research services or products that would otherwise have been an expense of the Firm.

Generally, research services provided by broker dealers may include information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibility issues. Such research services are received primarily in the form of written reports, telephone contacts, industry conferences, and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-generated data, software, and meetings arranged with corporate and industry spokespersons, economists, academicians, and government representatives.

Presently, Axonic has not entered into any soft dollar arrangements with broker-dealers. However, Axonic receives unsolicited research or other products or services other than execution (collectively the “Free Services”) at no apparent additional charge and not pursuant to any written “soft dollar” arrangement from a broker-dealer in connection with client securities transactions. Axonic limits the Free Services to items that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 (“Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, market research reports; financial newsletters; software providing analysis of securities portfolios; corporate governance research and attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants’ advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); and advice from broker-dealers on order execution. Should Axonic decide to enter into soft dollar arrangements with broker-dealers, we intend to limit the usage of soft dollars for obtaining research and brokerage services so as to remain within the guidance set forth in Section 28(e).

Best Execution

As a matter of policy and practice, we seek to obtain best execution for client transactions, *i.e.*, seeking to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances. We assess the overall quality, along with the cost of execution, including execution quality and reliability, depth of coverage, block positioning capability, firm reputation, responsiveness and financial strength, trading expertise, accuracy and timeliness, commission rates, research, market intelligence, availability of other market makers, operational efficiencies, fairness in resolving disputes, financial responsibility and responsiveness.

Aggregated Trades

The aggregation or blocking of client transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges to clients.

Our policy is to aggregate transactions where possible and when advantageous to clients. In these instances, clients participating in any aggregated transactions will receive an average execution price and transaction costs will be shared on a pro-rata basis.

Allocations

Our policy prohibits any allocation of trades based solely on the fees that may be earned by Axonic. Axonic and its affiliates may also give advice or take action with respect to other clients that differs from the advice given with respect to any particular client. If a determination is made that multiple clients should enter into or exit the same transaction (or group of transactions) at or about the same time, such transaction(s) will generally be allocated among such clients based on the Axonic's automated allocation methodology (the "Automated Allocation"), unless Axonic determines in its discretion that the facts specific to the transaction(s) or the clients warrant an alternative methodology. Automated Allocations are based on various inputs, including the client's target for the asset class and whether it has met its target, available cash, relative net asset value, whether a client is ramping its investment in the target asset class, and the eligibility of each client to invest in that asset class, which depends on various factors. Such inputs are subject to change, including intra-day, in the discretion of Axonic. In setting Automated Allocations or determining that an alternative methodology is warranted, there is a potential conflict of interest for Axonic to favor clients that pay higher fees or clients where Axonic has invested proprietary capital. The allocation policy is subject to change from time to time in the discretion of Axonic.

Trade Errors

As a fiduciary, we have the responsibility to effect orders correctly, promptly and in the best interests of the clients. In the event that any error occurs in the handling of any client transactions, due to our actions, or inaction, or actions of others, our policy is to assess each trade error on a case-by-case basis, and to correct the error promptly and in the best interests of the Funds and so as to avoid incurring a loss to the Fund. In general, we are personally responsible to reimburse the applicable client for trade errors caused by our gross negligence or willful misconduct.

In correcting trade errors, any client gains from trade errors may not offset losses from trade errors, unless the underlying transactions constitute a single transaction. Any client gains caused by trade errors will be credited to the affected client(s). In addition, soft dollars may not be used to pay for correcting our trading errors.

Item 13: Review of Accounts

Review of Accounts

The portfolio manager(s) and investment professionals of the Firm monitor and analyze the transactions, positions, and investment levels of the clients, as pertinent, to ensure that they conform with the respective client's stated investment objectives and guidelines. In these reviews, we pay particular attention to any changes in the investment's fundamentals, overall risk management and changes in the markets that may affect price levels.

Reporting

Axonic distributes to Investors annual audited financial reports, monthly or quarterly performance reports and annual tax information for the pertinent Fund. Axonic distributes reports to other clients pursuant to the contractual documentation with such clients.

Item 14: Client Referrals and Other Compensation

Axonic has and may continue to enter into arrangements to compensate third parties for referring potential clients or investors to Axonic. Axonic compensates third parties only if the client or investor is aware of the fee arrangements (through disclosures or acknowledgments included in a subscription document) and the arrangement otherwise complies with applicable law, rules and regulations, including, if applicable, Rule 206(4)-3 under the Advisers Act.

Item 15: Custody

The Firm complies with the requirements of Rule 206(4)-2 under the Advisers Act with regard to its custody of the assets of clients (“**Custody Rule**”).

The accounts of the Funds are held in custody at qualified custodians including unaffiliated broker-dealers or banking institutions.

Both Axonic and the general partners of the Funds organized as limited partnerships may be deemed to have custody of client assets. In accordance with the SEC’s custody rule, each of such Funds is audited on an annual basis. Copies of these audited financial statements are distributed to Investors in such Fund within 120 days of such Fund’s fiscal year end.

For other clients for which Axonic does not have custody, client funds and securities are maintained with qualified custodians, such as banks, broker-dealers, or other depository institutions, who send account statements directly to the clients.

Item 16: Investment Discretion

The Firm has full discretionary authority to manage the Funds, and the allocated portion of the other clients, respectively, including authority to make decisions with respect to, as pertinent, which assets are bought and sold, the amount and price of those assets, the brokers or dealers or sellers or buyers to be used for a particular transaction, and the commissions paid, and any financing thereof. Our authority is limited by our internal policies and procedures and by the investment guidelines of each Fund and each other client, as pertinent. These terms are set out in the private placement memoranda and in the governing documents of each Fund and each other client.

Item 17: Voting Client Securities

Proxy Voting Policy

Axonic accepts authority to vote proxies for clients’ securities holdings. In accordance with Axonic’s fiduciary duty to clients under Rule 206(4)-6 under the Advisers Act, we have adopted and implemented policies and procedures governing the voting of client securities. We will vote proxies and other issuer solicitations in the best interests of the clients. All proxies that we receive will be treated in accordance with these policies and procedures. Investors may not direct proxy voting for particular solicitations, unless they have expressly reserved the right to do so.

We consider the reputation, experience, and competence of a company's management and board of directors when we evaluate a prospective investment. Generally, we will vote in favor of what would be deemed as routine corporate matters, including the election of directors (where no corporate governance issues are implicated), the selection of auditors and increases in or reclassification of common stock. For other proposals, we will determine whether a proposal is in the best interests of the clients and may take into account the following factors, among others: whether the proposal was recommended by management (and, to this end, our opinion of management); whether the proposal acts to entrench existing management; and whether the proposal fairly compensates management for past and future performance.

If we identify any material conflict of interest, we will determine whether voting in accordance with our voting guidelines and factors is in the best interests of the clients.

A copy of our proxy voting policies and procedures is available upon request.

Item 18: Financial Information

Axonic has not ever filed for bankruptcy, and is not aware of any financial condition which would negatively affect its ability to manage client accounts.