Investment Risks

All asset classes carry risks in addition to their rewards

CLO

CLOs often involve risks that differ from those associated with other types of debt instruments. The complex structure of the security may produce unexpected investment results not based on default or recovery statistics. Ratings agencies may downgrade their original ratings of CLO debt tranches. Majority equity holders retain the right to call or refinance/reprice a CLO, creating cash flow variability for minority equity and debt holders

CLOs may be difficult to value and may constitute illiquid investments. Valuation of structured credit products are provided by third parties, based on models, indicative quotes, and estimates of value, in addition to historical trades. There is inherent difficulty in valuing these assets, and there can be no assurances the assets can be disposed of or liquidated at the valuations established, or that published returns will be achieved

During periods of economic uncertainty and recession, the incidence of modifications and restructurings of investments may increase, resulting in impairments to the underlying asset value and reduced “subordination” to the CLO liabilities

Volcker Rule provisions in section 619 of the Dodd–Frank Wall Street Reform and Consumer Protection Act, and Risk Retention Requirements of 15G of the Securities Exchange Act of 1934, could affect liquidity, returns, and new CLO creation

Changing economic, political, regulatory or market conditions, interest rates, general levels of economic activity, the price of securities and debt instruments and participation by other investors in financial markets may affect the value of CLOs and all other asset classes

Structured Credit

Investment Risk - The potentially complex structure of the security may produce unexpected investment results not based on default or recovery statistic

Valuation Risk - Valuation of structured credit products are provided by third parties, based on models, indicative quotes, and estimates of value, in addition to historical trades. There is inherent difficulty in valuing these assets, and there can be no assurances the assets can be disposed of or liquidated at the valuations established, or that published returns will be achieved

Underlying Asset Credit Risk - During periods of economic uncertainty and recession, the incidence of modifications and restructurings of investments may increase, resulting in impairments to the underlying asset value

Economic Risk - Changing economic, political, regulatory or market conditions, interest rates, general levels of economic activity, the price of securities and debt instruments and participation by other investors in financial markets may affect the value of the structured security and all other asset classes

Emerging Markets Debt

Market Risk - Market, or systematic, risk is the risk that individual securities may be correlated with general market downturns regardless of the particular business conditions and outlook for the individual companies

Credit Risk – eroding fiscal health in issuing companies resulting in inability to meet debt obligations

Inflation Risk - Inflation erodes the purchasing power of future cash flows from investments. In times of high inflation the value of securities may be reduced

Liquidity Risk - Liquidity risk can occur when market conditions do not allow transactions to be made in a quick and orderly fashion in relation to indicative market prices

Economic and Political Stability - Emerging markets may lack sophisticated financial, legal, social, political and economic structures, protection and general stability and higher potential for restrictions on foreign investments and uncertain tax positions

Corporate Bonds

Market Risk - Market, or systematic, risk is the risk that individual securities may be correlated with general market downturns regardless of the particular business conditions and outlook for the individual companies

Credit Risk – eroding fiscal health in issuing companies resulting in inability to meet debt obligations

Inflation Risk - Inflation erodes the purchasing power of future cash flows from investments. In times of high inflation the value of securities may be reduced

Liquidity Risk - Liquidity risk can occur when market conditions do not allow transactions to be made in a quick and orderly fashion in relation to indicative market prices

Convertibles

Low supply of issues due to prolonged low interest rates and strong demand for investment grade corporate and high yield debt

Equity market declines reduce the value of convertibles' equity conversion features

A high level of corporate defaults which reduces the value of convertibles' fixed income floors

Private Placements

Market Risk - Market, or systematic, risk is the risk that individual securities may be correlated with general market downturns regardless of the particular business conditions and outlook for the individual companies

Credit Risk – eroding fiscal health in issuing companies resulting in inability to meet debt obligations

Inflation Risk - Inflation erodes the purchasing power of future cash flows from investments. In times of high inflation the value of securities may be reduced

Liquidity Risk - Liquidity risk can occur when market conditions do not allow transactions to be made in a quick and orderly fashion in relation to indicative market prices

HDE

Market Risk - Market, or systematic, risk is the risk that individual stock returns may be correlated with general market downturns regardless of the particular business conditions and outlook for the individual stocks

Inflation Risk - Inflation erodes the purchasing power of future cash flows from investments. In times of high inflation the value of securities may be reduced

Liquidity Risk - Liquidity risk can occur when market conditions do not allow transactions to be made in a quick and orderly fashion in relation to indicative market prices

Fixed Income Primary Risks
Fixed-income portfolios are subject to a variety of risks including, but not limited to, interest rate, yield curve, credit, liquidity and reinvestment risk

Corporate Bonds - Below Investment Grade (High Yield Bonds)
Market Risk - Market, or systematic, risk is the risk that individual securities may be correlated with general market downturns regardless of the particular business conditions and outlook for the individual companies

Credit Risk – eroding fiscal health in issuing companies resulting in inability to meet debt obligations

Inflation Risk - Inflation erodes the purchasing power of future cash flows from investments. In times of high inflation the value of securities may be reduced

Liquidity Risk - Liquidity risk can occur when market conditions do not allow transactions to be made in a quick and orderly fashion in relation to indicative market prices

Risks of Investing in ETFs, and Indexed Equities
Market Risk - Market, or systematic, risk is the risk that individual stock returns may be correlated with general market downturns regardless of the particular business conditions and outlook for the individual stocks

Inflation Risk - Inflation erodes the purchasing power of future cash flows from investments. In times of high inflation, the value of securities may be reduced

Liquidity Risk - Liquidity risk can occur when market conditions do not allow transactions to be made in a quick and orderly fashion in relation to indicative market prices

MLP
Sharp correction in crude oil prices again…

Rising interest rates

Stranded infrastructure assets

Decline in broad equity market valuation

Change in domestic energy policy (i.e. Keystone)

Change in U.S. corporate tax rate

Lack of access to the capital markets

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