

BNP Paribas Asset Management, Inc.

Form ADV Part 2A

The Brochure

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This brochure provides information about the qualifications and business practices of BNP Paribas Asset Management, Inc. (“BNPP AM” or the “Company”). If you have any questions about the contents of this brochure, please contact us at 617-478-7200. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Summary of Material Changes

On July 21, 2010, the U. S. Securities and Exchange Commission (the "SEC") unanimously adopted changes to Form ADV, Part 2. The new Form ADV, Part 2, also known as the "Brochure", requires disclosure on distinct topics, and answers must be presented in the order of the items in the form, using the headings in the form. Our goal is to provide you with easy-to-understand "plain-English disclosure," using an easy-to-read format and definite, concrete, everyday words.

Our current Form ADV, Part 2 will be available to our existing and prospective clients 24 hours a day through the SEC's Investment Adviser Public Disclosure website. Additionally, we will annually and within 120 days of the end of our fiscal year, provide you either: (i) a copy of our Form ADV, Part 2 that includes or is accompanied by a summary of material changes; or (ii) a summary of material changes that includes an offer to provide a copy of the current Form ADV, Part 2.

We urge you to carefully review all subsequent summaries of material changes, as they will contain important information about any significant changes to our advisory services, fee structure, business practices, conflicts of interest, and disciplinary history.

Material Changes:

Since our last filing on July 13, 2011, we have made the following material change to our Form ADV Part 2A:

- Our Form ADV Part 2A has been revised to reflect our name change from our former name, Fortis Investment Management USA Inc., to our new name BNP Paribas Asset Management Inc., effective December 15, 2011. This name change is a result of the merger of the former BNP Paribas Asset Management, Inc. (SEC #801-31896) into Fortis Investment Management USA, Inc.

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Advisory Business

BNP Paribas Asset Management Inc. was incorporated in the Commonwealth of Massachusetts on August 9, 1979 as Harbor Capital Management. Harbor Capital Management amended its articles of incorporation to Fortis Investment Management USA, Inc. on September 15, 2003. Fortis Investment Management USA, Inc. changed its name to BNP Paribas Asset Management Inc. (“BNPP AM”) on December 15, 2011. BNPP AM is a subsidiary of BNP Paribas S.A. (“BNPP”), a global, full-service financial services institution organized under the laws of the Republic of France. As illustrated in the organizational chart below, BNPP AM is a direct, wholly-owned subsidiary of BNP Paribas Investment Partners USA Holdings Inc., a New York Corporation, which is in turn wholly owned by Paribas North America, Inc. BNPP owns 100% of Paribas North America, Inc.



BNPP AM is part of BNP Paribas Investment Partners (“BNPP IP”), the global brand name for the asset management services of BNPP. BNPP IP is part of BNPP’s Investment Solutions division. BNPP IP is one of the major players in the investment management industry with a presence in many of the world’s major financial centers and assets under management and advisory totaling \$742 billion for clients in over 70 countries across the globe. As of December 31, 2010, BNPP AM manages \$17,667,182,179 on a discretionary basis and administers \$162,336,491 on a non-discretionary basis.

BNPP AM provides discretionary equity, fixed income and cash investment management services to institutional clients including pension and profit sharing plans, corporations, and commingled investment vehicles (including Luxembourg-domiciled SICAVs of an affiliate). BNPP AM’s Global Credit Group primarily performs discretionary investment management activities in fixed income securities for the U.S. high yield and investment grade portions of client portfolios, and also manages certain structured products. BNPP AM also serves as a collateral manager for structured debt vehicles, including Collateralized Debt Obligations and Collateralized Loan Obligations.

BNPP AM may provide asset allocation model portfolios to unaffiliated investment advisers pursuant to licensing agreements whereby BNPP AM provides such model portfolios for a fee.

These model portfolios may be made available for potential selection and use by financial intermediaries and/or institutional investors. FIMUSA selects and monitors the performance of its own model portfolios and directs such investment adviser to periodically adjust and rebalance the model portfolios, however BNPP AM does not have direct investment discretion over any assets traded pursuant to these models.

Investment advisory activities of BNPP AM are carried out in Boston, New York, Paris and the United Kingdom. BNPP AM manages some accounts using the services of various capable individuals (“Associated Persons,” as used by the SEC in the Unibanco No-Action letter of July 28, 1992, the ABN AMRO NV No-Action letter of July 1, 1997 and the Royal Bank of Canada No-Action letter of June 3, 1998) who are employed by BNP Paribas Investment Partners UK Ltd. (“BNPPIP UK”) and BNP Paribas Asset Management SAS (“BNPP AM Paris”). These individuals may also manage accounts for BNPPIP UK, BNPP AM Paris or other BNPP IP affiliates, which trade a strategy similar to a U.S client. Like the Company, BNPPIP UK and BNPP AM Paris are owned directly or indirectly by BNPP. For more information regarding BNPP AM’s *Unibanco* arrangement, including information about its affiliates, BNPP AM Paris and BNPP AM UK, please see the section entitled “Other Financial Industry Activities and Affiliations”.

Certain salespersons employed by BNPP AM hold securities licenses with a third party broker-dealer, Funds Distributors LLC, a Delaware limited liability company. These registered representatives may distribute private funds sponsored and managed by the Company’s BNPP IP European affiliates. Any compensation received from this activity would be paid to the Company by Funds Distributor LLC.

BNPP AM does not sponsor or manage any wrap fee programs.

Clients complete an Investment Management Agreement, or similar investment services agreement depending upon the nature of the services to be provided, which explains the investment services they will receive and the fees charged for such services. Clients should carefully examine this agreement and particularly the fee schedule. Investment management services provided may be available from other registered investment advisers for lesser fees. Clients have the opportunity to place reasonable restrictions or constraints on the way their account is managed.

Fees and Compensation

The BNPP AM basic fee schedules, listed below, are subject to negotiation between the parties at the Company’s discretion. The precise schedule of fees is dependent upon the size of the mandate as well as any client specific requirements. In addition, BNPP AM reserves the right to waive all or a portion of its management and performance-based fees, as applicable and negotiate investment minimums. Comparable clients in the same investment style may have fee schedules that vary from the standard fee schedule and BNPP AM reserves the right to add or delete certain services discussed below. For comparable services, other investment advisers may charge higher or lower fees than those charged by BNPP AM.

BNPP AM STANDARD FEE SCHEDULE

Institutional Separate Accounts – Equities

Sub-Product	Fee Schedule
U.S. Small Cap Equity	100bps on first \$10M 90bps on next \$25M 85bps on next \$50M 75bps on next \$100M 60bps thereafter
U.S. Large Cap Growth Equity	65bps on first \$10M 50bps on next \$25M 45 bps on next \$50M 40bps on next \$100M 30bps thereafter
U.S. Large Cap Core Equity	65bps on first \$10M 50bps on next \$25M 45 bps on next \$50M 40bps on next \$100M 30bps thereafter
Best Selection U.S.	85bps on first \$10M 70bps on next \$25M 65bps on next \$50M 55bps on next \$100M 45bps thereafter
Emerging Markets Equity	100bps on first \$10M 80bps on next \$40M 70bps on next \$50M 60bps on next \$100M 50bps thereafter
Global Alpha Equity	60bps on first \$25 50bps on next \$75M 45 bps on next \$50M 41bps on next \$50M 37bps thereafter
International Equity	70bps on first \$25M 65bps on next \$25M 60bps on next \$50M Negotiable thereafter

Institutional Separate Accounts – Fixed Income

Product/Sub-Product Group	Product	Fee Schedule
Multi-Sector	U.S. Core/ Intermediate Core	25bps on first \$250M 20bps on next \$250M 15bps thereafter
Government	U.S. Governments	20bps on first \$250M 15bps on next \$250M 10bps thereafter
Short Duration – Libor Strategies	AAA Libor Plus	20bps on first \$250M 15bps on next \$250M 10bps thereafter
Short Duration – No Credit	U.S. Short Duration	20 bps on first \$250M 15 bps on next \$250M 10 bps thereafter
Short Duration – With Credit	U.S. Short Duration w/Credit	20bps on first \$250M 15bps on next \$250M 10bps thereafter
Short Duration – With Credit	U.S. Short-Intermediate	20bps on first \$250M 15bps on next \$250M 10bps thereafter
High Yield Bond	U.S. High Yield	30bps on the first \$50M 25bps on the next \$70M 20 bps thereafter

Institutional Separate Accounts – Other**Global Tactical Asset Allocation**

All assets: 1.50%

PLUS

Performance fee equal to 20% of any performance above one month USD London Interbank Offered Rate (LIBOR).

Minimum Account Size: \$50,000,000

Dynamic Asset Allocation

Fixed fee per portfolio size

0.70% on the first \$100 million

0.65% on the next \$100 million

0.60% on the balance over \$200 million

PLUS

Performance fee equal to 10% of any performance above cash +2% on a yearly basis (the ‘hurdle rate’).

Minimum Account Size: \$10,000,000

Fees are generally payable quarterly in arrears, based on the market value of assets under management on the last business day of the previous quarter. In addition, in some cases, fees are calculated as an average of the month-end assets under management for the previous quarter depending upon the client type. Clients are not required to pre-pay fees.

In the case of structured products managed by BNPP AM, fees are based primarily on a percentage of the net outstanding principal balance or some variation of the net outstanding principal balance with respect to the relevant structured product.

In general, BNPP AM does not invest client assets in pooled funds. However, if BNPP AM were to do so, BNPP AM would generally waive the portion of the advisory fee corresponding to such investment so that the client would avoid paying two fees.

Clients retain BNPP AM by entering into a written investment management agreement for discretionary services. Either party with written notice as agreed upon may terminate this contract. There is no fee or penalty for this course of action. Fees will be prorated to date of termination and any unearned portion of prepaid fees will be refunded to the client.

The Company's fees are exclusive of brokerage commissions, transaction costs and other related costs and expenses which shall be incurred by the client. Such costs are in addition to the Company's fees and BNPP AM does not receive any portion of these costs. Please refer to the **Brokerage Practices** section of this brochure regarding the factors that BNPP AM considers in selecting and recommending broker-dealers for client transactions and determining the reasonableness of their compensation.

BNPP AM may, from time to time, enter into performance based fee arrangements that comply with the applicable requirements of Rule 205-3 under the Investment Advisers Act of 1940. While such arrangements are negotiated and the terms and conditions may vary, they typically provide for a fixed base fee plus a performance fee based on the portfolio return relative to a designated index return for the relevant billing period.

BNPP AM may also, from time to time, enter into a contract with a client to manage assets for a fixed fee. Some specific strategies may charge higher or lower fees based on a specific asset class.

Fees may also be negotiated on certain assignments, depending on size and service requirements. In addition to the fee schedules below, there may be specialized investment strategies with individualized fee arrangements in place as well as historical fee schedules with longstanding clients that may differ from those applicable to new client relationships.

Any compensation received by the Company or its registered representatives for selling private funds would be paid to the Company by Funds Distributor LLC, the third-party broker-dealer which holds the securities licenses of the registered representatives.

Performance Based Fees and Side-by-Side Management

Performance based fees are fees based on a share of capital gains on or capital appreciation of the assets of a client. An adviser charging performance fees to some accounts faces certain conflicts because the adviser can potentially receive greater fees from its accounts having a performance-based compensation structure than from those accounts it charges a fee unrelated to performance (e.g., an asset-based fee). As a result, the adviser may have an incentive to direct the best investment ideas to, or to allocate or sequence trades in favor of, the account that pays a performance fee. BNPP AM is required to treat its clients fairly in relation to such conflicts of interest and will make decisions for client portfolios in accordance with its fiduciary responsibilities. Consistent with this fiduciary duty, BNPP AM's trading procedures seek to ensure that all clients are treated fairly and equitably and that no client account is advantaged or disadvantaged over another.

BNPP AM may charge performance-based fees in agreement with clients. In particular, in respect of structured products, performance fees may be charged.

Investment teams and individual portfolio managers may manage multiple accounts, including separate accounts, offshore funds and mutual funds, according to the same or a similar investment strategy. Side-by-side management of the funds and other accounts raises the possibility of favorable or preferential treatment of a client or a group of clients. In general, investment decisions for each client account will be made independently from those of other client accounts and are made with specific reference to the individual needs and objectives of each client account. There is no requirement that an adviser use the same procedures consistently with respect to all accounts. Different strategies and client guidelines may lead to the use of different methodologies for addressing the potential conflicts of interest.

BNPP AM may manage numerous accounts with similar or identical investment objectives or may manage accounts with different objectives that trade in the same securities. Portfolio decisions relating to clients' investments and the performance resulting from such decisions may differ from client to client. BNPP AM will not necessarily purchase or sell the same securities at the same time or in the same proportionate amounts for all eligible clients, particularly if different clients have materially different amounts of capital under management by the Company or different amounts of investable cash available. Given these and other potential conflicts, the Company's order allocation procedures are designed to ensure that clients are treated fairly over time.

Types of Clients

BNPP AM may provide investment management services to institutional clients including corporations, not-for-profits, religious organizations, foundations, pension & profit sharing plans, retail funds, and investment companies (including Luxembourg-domiciled SICAVs of an affiliate). Further, BNPPAM may provide non-discretionary investment management activities and/or act as collateral manager for structured products such as CDOs & CLOs.

Minimum account size requirements vary by product type. These requirements are negotiable, but typically at least \$10,000,000 is the minimum.

Methods of Analysis, Investment Strategies and Risk of Loss

In addition to being able to access an experienced research staff within BNP Paribas Investment Partners, BNPP AM obtains ideas from an extensive network including industry contacts, market and securities analysts and its team of investment professionals. BNPP AM will evaluate potential investment opportunities based on extensive primary research into each company, evaluations from external sources and in depth contact with the company's management team. BNPP AM may utilize research materials prepared by affiliates and third parties.

At the portfolio level, BNPP AM may utilize absolute volatility, tracking error volatility, expected shortfall, value-at-risk, interest rate and spread durations, concentration risk from countries, sectors and individual positions to fit within the guidelines and investment strategies of a given portfolio. The investment strategy for each program varies and various measurements and tools are implemented based on the investment needs of the client.

Investing in securities involves risk of loss that clients should be prepared to bear. Strategies are managed by teams of investment professionals. The description provided below is an overview of the various investment strategies and is not intended to be complete:

US Equity Strategies. These strategies focus on what the team considers to be high quality, attractively valued stocks. The method used in managing assets combines quantitative and qualitative research. The investment approach begins with the team's proprietary evaluation tool to screen our investment universe. Based on back-testing and experience as investment managers, the team has designed an evaluation tool to focus on the characteristics that have been rewarding to investors in the past. The output of this systemic review is a "score" and every stock in the investment universe is ranked within its sector and this allows the team to focus the research. This process provides an objective and unbiased "base case" assessment of attractiveness and also brings discipline and repeatability to the investment process.

Since the portfolio is designed to take the majority of risk at the stock rather than sector level, the focus of the team is to build the portfolio with the highest conviction opportunities for each sector. The team is organized by sector, and the analysts evaluate stocks down to the sub-industry level. Using the output of our systematic review as a starting point, the analysts then complete a thorough review of the sectors for which they are responsible. The team's fundamental research is driven by their belief that stock prices reflect earnings and their in-depth company research is focused on developing a learned view on earnings prospects. The qualitative research process includes meeting with company management directly through one-on-one meetings and phone calls.

The team allocates the majority of their risk budget at the stock level. This is primarily accomplished through keeping the portfolio industry and sector group neutral compared to the applicable benchmark, which limits unintended risks. The team monitors ex ante risk, marginal contribution to risk of each holding, and the product's overall risk profile (i.e., portfolio characteristics, style, size, etc.) relative to the appropriate benchmark. Risk indicators are controlled prior to implementation of the final portfolio as well as on an ongoing basis as part of the daily management of the strategy.

Emerging Market Equities. The team believes the importance of stock selection has transcended that of country selection in terms of adding value. Thereby, the team takes a fundamental, bottom-up approach to add value in emerging markets. Industry group factors are an important determinant of returns and value can also be added by analyzing sub-sector drivers. The team manages a growth-biased strategy as to favor companies that are growing their earnings faster than their industry peers. The team is often willing to pay higher multiples for that attractive growth. The team seeks to generate the majority of outperformance from bottom-up stock selection. Sector and country allocations are largely a residual effect of this process. Additionally, value is added in the team's interpretation of local research as it pertains to cross-border analysis in identifying the most attractive investments on a global basis. Rather than exploiting market inefficiencies, the team focuses on opportunities that the market has to offer.

Fixed Income. Fixed income advisory services are provided to US-based and global institutional clients. The fixed income investment philosophy is based on the belief that inefficiencies in and between sectors of global bond markets exist and can be exploited through an active portfolio manage style. These inefficiencies arise primarily from two factors: (1) global fixed income markets comprise many investors with varying objectives and time horizons (market segmentation), and as a result, they form different opinions on the value of securities based on time horizon and liquidity; and (2) security values change as fundamentals change at macroeconomic, sector and security levels. We seek to exploit these opportunities. To capitalize on the global opportunities, we utilize market specialists to "harvest" ideas, increasing diversity of positions, while the risk allocation is organized centrally – this helps to ensure ideas do not overlap and that total risk does not exceed targets.

European Fixed Income. Bond investments focus on funds and management mandates indexed to a benchmark where relative risk is measured by a tracking error. The team offers a large spectrum of strategies, covering different maturities and market segments:

- Core range: Aggregate Euro, Sovereign Euro/Europe, Credit Euro/US/global
- Specific themes: inflation (Euro), Sustainable and Responsible Investment (Aggregate Euro and Corporate Euro), long floating rates notes
- Specific solutions: insurance portfolios, active-passive investment management

Cash and Short-Term Fixed Income Strategies. Investment decisions are made by product heads and portfolio managers focusing on generating alpha according to their specific expertise. All decisions are made to balance the expected return outcome with the assessed risk of the position, in the context of the risk parameters of each client's portfolio. Positions may be strategic and of a long term nature, or tactical to take advantage of short term anomalies.

Periodically, the investment team reviews and establishes target levels of incremental return for each portfolio. Concurrently, consideration of the client's return objectives and the market environment is undertaken in an effort to provide the appropriate scaling of off-benchmark exposures required to meet the targeted incremental return.

The Company aims to achieve targeted incremental returns from active management by seeking opportunities within the US fixed income markets. Portfolio managers construct portfolios in

accordance with each client's investment guidelines, balancing investment exposures and diversifying among sectors and issues. Once the targeted increment has been set, it is budgeted by activity, for example: duration, yield curve, specific security selection, and where appropriate, sector allocation. Investment strategy is continuously reviewed, and exposures are adjusted on a daily or weekly basis, or whenever relevant markets or the outlook for those markets changes significantly. This constant monitoring process is intended to ensure that the portfolio exposures correspond to the investment team's current view and that an efficient structure for the portfolio is maintained as fluctuations occur in interest rates, the yield curve, and credit spreads.

Global Quantitative Strategy. Global Quantitative (“Global Quant”) is a core global equity strategy which seeks to achieve consistent excess returns with a lower level of risk than its benchmark. The investment process is designed to identify and understand market preferences and valuation trade-offs and then use them to construct a portfolio which benefits from the current market conditions. The strategy has a sector and region neutral approach and seeks to generate consistent alpha from stock selection.

The team believes that the market price of every security is determined by a number of changing factors that can be measured and anticipated. A proprietary multi-factor model is used which determines a ranking for all securities in the universe based on their exposures to stock characteristics (e.g., book-to-price, market capitalization) that have a proven impact on return. The characteristics used in the analysis fall into a broad range of categories covering both the growth and value spectrums and including macroeconomic variables.

The model considers 60 stock characteristics simultaneously and applies statistical techniques to objectively determine which characteristics are preferred by the market. With large amounts of information available and continuously changing market conditions, the team believes that the proper weighting of the right variables is crucial. The stock selection process is adaptive, weighting each of the factors according to the market’s current preference. The model effectively detects shifts in market preferences and dynamically adapts to them. This enables the team to make forecasts of future performance on the basis of constantly changing conditions, and build a portfolio that seeks to generate consistent alpha in different market environments.

Asset Allocation Strategies. The Global Tactical and Dynamic asset allocation (“GTAA” and “DAA”, respectively) strategies strive to produce a source of absolute return that capitalizes on tactically allocating risk across broad asset categories globally. Although both strategies take advantage of a single investment team and process, GTAA has a cash-plus return mandate and utilizes derivatives and leverage while DAA is an all weather portfolio that has more embedded systematic risk and aims for equity-like returns with bond-like volatility. DAA generally uses cash instruments and little to no leverage. In both cases, a key characteristic of the strategies are their ability to provide positive absolute returns that have low correlations to other investments.

Within the investment process the team defines three independent sources of alpha: 1) Core Strategies, 2) Quantitative Strategies and 3) Opportunistic Strategies. Blending both a qualitative and quantitative approach is a hallmark of the process. The team believes that the qualitative part of the process is paramount to providing the freedom to explore strategies without being constrained by data issues. Moreover, it safeguards the investment process from regime shifts that

are not easily picked up by quantitative models. The quantitative part of the process brings a high level of consistency and rigor through the use of models, factors and scorecards. The blend of both approaches allows the team to further spread out the risk budget in a manner that is both systematic and opportunistic, thus assisting the team to achieve stated goals through various market cycles.

Other. BNPP AM is a collateral manager for four Collateralized Debt Obligations (CDOs), which are past their reinvestment date, prohibiting further reinvestments. The Company is also a collateral manager for one Collateralized Loan Obligation (CLO), which is currently in its reinvestment period.

As mentioned in the **Advisory Business** Section, the Company may manage accounts for investment strategies using the services of various capable individuals, including individuals (“associated Persons,” as used by the SEC in the Unibanco No-Action letter of July 28, 1992, the ABN AMRO NV No-Action letter of July 1, 1997 and the Royal Bank of Canada No-Action letter of June 3, 1998) who are employed by or seconded by a BNPP IP offshore affiliate.

All investing involves a risk of loss and the investment strategies offered by the Company could lose money over short or even long periods. Clients should be prepared to bear any risk of loss. No guarantee or representation is made that the investment strategies offered by the Company will achieve its investment objective. The description below is a brief overview of different investment risks related to the Company’s advisory services:

Investing in securities is inherently risky. An investment in individual securities or in a portfolio of securities could lose money. The Company cannot give any guarantee that it will achieve its investment objectives or that any client will receive a return of its investment.

Market Risk. The investments may be subject to price volatility due to factors such as interest sensitivity, market perception, and creditworthiness of issuer and market liquidity. Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Different parts of the market can react differently to these developments. The value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole.

Stock Market Risk. Equity securities are subject to stock market risks and significant fluctuations in value.

Debt Securities Risk. Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations.

Government Obligations Risk. If a government-sponsored entity is unable to meet its obligations, the performance of a portfolio or of a mutual fund that holds securities of the entity will be adversely impacted.

Mortgage- and Asset-Backed Securities Risk. Mortgage- and Asset-Backed securities risk includes Market Risk, Interest Rate Risk, Credit Risk, Prepayment Risk (*i.e.*, homeowners whose mortgages collateralize the securities held by certain mutual funds may be able to prepay principal due on these mortgages, which could cause such mutual funds to reinvest the proceeds at lower yields) as well as the risk that the structure of certain mortgage-backed securities may make their reaction to interest rates and other factors difficult to predict, making their prices very volatile. Under certain adverse market conditions, mortgage- and asset-backed securities may have more limited liquidity than usual.

Issuer Risk. The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.

Credit and Counterparty Risk. There is a risk that issuers or counterparts will default and fail to repay principal and interest in a timely manner or do not fulfill their obligations and commitments. If the rating of an issue, issuer or a counterpart is downgraded this may cause the value of the related assets to fall. The severity of the risk varies depending on the quality of the issuer or counterparty. The assets can be partly invested in securities issued by corporate entities, bank, financial institution and/or public sector and this poses a higher risk than investment in government securities.

Non-Diversification Risk. Non-diversified mutual funds have the ability to take larger positions in a smaller number of issuers than a diversified fund, which makes a non-diversified fund more susceptible to financial, economic or market events impacting such issuers, and a non-diversified fund's share price may be more volatile than the share price of a diversified fund.

Management Risk. Management risk means that your investment varies with the success and failure of the Company's investment strategies and the Company's research, analysis and determination of portfolio securities.

Growth Style Investment Risk. Growth investments can perform differently from the market as a whole and from other types of investments. While growth investments may react differently to issuer, political, market and economic developments than the market as a whole and other types of investments by rising in price in certain environments, growth investments also tend to be sensitive to changes in the earnings of their underlying companies and more volatile than other types of stocks, particularly over the short term.

Value Style Investment Risk. Value investments can perform differently from the market as a whole and from other types of stocks. Value investments may be purchased based upon the belief that a given security may be out of favor; that belief may be misplaced or the security may stay out of favor for an extended period of time.

Industry or Sector Emphasis Risk. Investing a substantial portion of assets in related industries or sectors may have greater risks because companies in these industries or sectors may share common characteristics and may react similarly to market developments.

Medium-Sized Companies Risk. Medium-sized companies may be more vulnerable to adverse business or economic events than stocks of larger companies. Investing in securities of medium-sized companies involves greater risk than investing in larger, more established companies because they can be subject to more abrupt or erratic share price changes than larger, more established companies.

Smaller Company Securities Risk. Securities of companies with smaller market capitalizations tend to be more volatile and less liquid than larger company stocks. Smaller companies may have no or relatively short operating histories, or be newly public companies.

REIT Securities Risk. The performance of equity and mortgage REITs depends on the performance of the portfolio investments of the REIT in real estate and/or mortgages. Equity REITs may be affected by any changes in the value of the underlying property owned by the trusts. Mortgage REITs may be affected by the quality of any credit extended and by special tax rules that apply to certain investments in securitized pools of mortgages. There are also risks from borrowers and tenants defaulting on their obligations. The securities of real estate companies and REITs can trade less frequently and have more limited volumes and can potentially be more volatile than other securities.

Foreign Investment Risk. Foreign securities include ADRs and similar investments, including European Depositary Receipts (“EDRs”) and GDRs. Foreign securities may be subject to more risks than domestic investments. These additional risks may potentially include lower liquidity, greater price volatility and risks related to adverse political, regulatory, market or economic developments. Foreign companies also may be subject to significantly higher levels of taxation than domestic companies, including potentially confiscatory levels of taxation, thereby reducing the earnings potential of such foreign companies.

Emerging Markets Risk. Emerging markets may have obsolete financial systems and volatile currencies, and may be more sensitive than more mature markets to a variety of economic factors. Emerging market securities also may be less liquid than securities of more developed countries and could be difficult to sell, particularly during a market downturn.

Currency Risk. Investments in foreign securities involve exposure to fluctuations in foreign currency exchange rates. Such fluctuations may reduce the value of a client’s investment in a foreign security.

Disciplinary Information

In January 2009, the Commodities Futures Trading Commission (“CFTC”) issued an order which was the subject of the settlement entered into between BNPP AM (then known by its predecessor name, Fortis Investment Management USA, Inc.) and the CFTC. BNPP AM also paid the related monetary fine of \$75,000. The settlement related to late deliveries in 2004, 2005 and 2006

financial statements of a now-closed BNPP AM commodity pool. The fund's investments were in an offshore fund which failed to provide BNPP AM with the date to comply with the CFTC requirements. Therefore, the fund was unable to comply with reporting obligations from the outset. BNPP AM withdrew its membership from the CFTC in 2009.

Other Financial Industry Activities and Affiliations

BNPP AM is a subsidiary of BNPP, a publicly owned limited liability banking institution organized in France. Since BNPP AM is a subsidiary of a global financial organization, it has arrangements with companies that are under common control of BNPP.

As part of a global strategy, BNP Paribas's asset management arm created the brand BNP Paribas Investment Partners, or BNPP IP. BNPP IP groups together, for marketing purposes, the various asset managers in BNP Paribas's asset management division. BNPP IP is not itself a legal entity; rather, the legal entities remain the individual asset management firms. BNPP AM also has affiliated investment advisers with whom it does not conduct any business.

BNPP AM is neither a registered broker-dealer nor has an application pending to register as a broker-dealer. One salesperson, one marketing officer and one compliance officer hold securities licenses with a third-party broker dealer, Funds Distributors LLC, whereby the BNPP AM salesperson may distribute private funds sponsored and managed by the Company's BNP Paribas Investment Partner European affiliate(s).

BNPP AM is neither a futures commission merchant, commodity pool operator, commodity trading adviser nor has an application pending to become one of these entities. The Chief Compliance Officer maintains a futures securities license with BNPP AM's US-adviser affiliate, Fischer Francis Trees & Watts Inc., a registered commodity pool operator and commodity trade adviser, for which she is also Chief Compliance Officer.

The BNPP IP brand groups together, for marketing purposes, the various asset managers in BNP Paribas's asset management division. The investment advisor legal entities in the U.S. are registered with the SEC. BNPP AM has affiliated registered investment advisors with whom it does not conduct any business. A list of such affiliated registered investment advisors is available upon request.

BNPP AM operates as an investment center and as such outsources a number of its support and operational functions to other entities within BNPP. In particular, services in respect of Finance, Tax, Compliance, Legal / Company Secretarial, Human Resources, Facilities, Business Continuity, IT, Risk, Permanent Control (Operational Risk), are provided on a shared platform for various BNPP IP companies within the region. Such provision of services is undertaken in compliance with applicable regulation and the appropriate supervision of compliance personnel.

BNPP AM manages and/or advises on the investment activities for a range of managed accounts for which it has been appointed by clients as investment adviser and to provide investment advisory services in connection with such accounts by using the services of various capable

individuals, including individuals (“Associated Persons,” as used by the SEC in the Unibanco No-Action letter of July 28, 1992, and Royal Bank of Canada No-Action letter of June 3, 1998) who are employed by or seconded by BNP Paribas Asset Management SAS (“BNPP AM France”) and/or BNP Paribas Investment Partners UK Ltd (“BNPP IP UK”).

The Associated Persons may also manage accounts for BNPP AM FRANCE, which trade a strategy similar to U.S. clients. Like BNPP AM, BNPP AM FRANCE and BNPP IP UK are owned directly or indirectly by BNP Paribas. BNPP AM undertakes liability to its clients for the acts or omissions of such Associated Persons as if BNPP AM had performed such acts or omissions itself. BNPP AM FRANCE and BNPP IP UK may recommend to its clients, or invest on behalf of its clients in, securities that are the subject of recommendations to, or discretionary trading on behalf of, BNPP AM’s U.S. clients. BNPP AM may reimburse its affiliates for services provided under the *Unibanco* arrangement. BNPP AM may also rely on analysis developed by analysts at its affiliates, BNPP AM FRANCE and BNPP IP UK. BNPP AM may also sub-advise clients of BNPP AM FRANCE and BNPP IP UK.

BNPP AM FRANCE, BNPP IP UK and BNPP AM utilize an affiliated entity, BNP Paribas Securities Services, for reconciliation and other post trade functions.

Other Investment Advisers. BNPP AM may enter into a sub-advisory agreement with a foreign BNP Paribas Investment Partner where BNPP AM will manage the U.S. dollar denominated assets of European clients of the Company’s offshore affiliate. BNPP AM will receive as fee revenue, a percentage of the asset management fee charged by BNP Paribas Investment Partner to its client. No additional fees are assessed.

In addition to the arrangements described above, BNPP AM has a relationship that is material to its advisory business with Fischer Francis Trees & Watts, Inc. (“FFTW”), an affiliated investment adviser that is registered with the SEC. FFTW is also registered as a commodity pool operator and a commodity trading advisor with the U.S. Commodity Futures Trading Commission and is a member of the National Futures Association. BNPP AM provides active portfolio management with regard to high-yield corporate bonds and CDOs to FFTW.

Certain persons who provide services to us may be employed by or also provide services to affiliates of BNPP AM. For example, our chief compliance officer is also the chief compliance officer of FFTW. Additionally, a limited number of BNPP AM employees may be dual-employees with a registered adviser affiliate. Secondment agreements between BNPP AM and its registered adviser affiliate have been executed which define the business purpose for these arrangements and identify the applicable individuals. Any such provision of services would be undertaken in compliance with applicable regulation and the appropriate supervision of compliance personnel.

Certain BNPP AM employees may share office space with certain BNPP IP registered investment advisers in compliance with applicable regulation and with the appropriate supervision of legal and compliance personnel. BNPP AM has adopted strict policies and procedures to ensure protection of confidential information relating to its clients. All employees must take all reasonable steps to

protect confidential information and to restrict its flow to any other investment adviser or any employee of any other adviser.

Investment Companies. BNPP IP offers a family of funds to European investors that are registered in Belgium, France, Luxembourg and the Netherlands. In certain cases, BNPP AM has entered into sub-advisory or delegation agreements with its BNP IP European affiliates to manage U.S. dollar denominated assets of the funds. Clients are not assessed additional fees for this service. BNPP AM also serves as adviser, sub-advisor or delegated manager to offshore investment companies sponsored and distributed through BNP Paribas affiliates. Also, BNPP AM serves as a sub-adviser to one U.S. registered mutual fund.

Bishop Street Funds is managed by Bishop Street Capital Management (“BSCM”), which is owned by BancWest, which in turn is ultimately 100% owned by BNP Paribas. BNPP AM is the sub-adviser to a fund advised by BSCM. BNPP AM also is the sub-adviser to accounts advised by First Hawaiian Bank. First Hawaiian is the parent company of BSCM and is also an affiliate of BNPP AM.

Banking or Thrift Institution. BNP Paribas, its affiliates and their directors, partners, trustees, members, officers and employees are engaged in businesses and have interests which may conflict with the business activities of BNPP AM. These activities and interests include potential multiple advisory, transactional and financial and other interests in securities, instruments and companies.

BNPP is a full service financial services institution and a major participant in global financial markets. As such, it acts as an investor, investment banker, research provider, investment manager, financier, adviser, market maker, trader, prime broker, lender, agent and principal, and has other direct and indirect interests, in the global fixed income, currency, commodity, and other markets in which BNPP AM directly and indirectly invests on behalf of client portfolios. BNPP AM will make decisions for client portfolios in accordance with its fiduciary responsibilities; however, the potential business relationships, fees, compensation and other benefits to BNPP may, in certain cases, give rise to certain potential conflicts of interest. BNPP AM will use its best efforts to minimize the potential for conflicts of interest arising due to its relationship with BNPP and has policies and procedures in place to ensure that its clients’ interests are prioritized.

As a global financial institution, BNPP’s business includes brokerage and capital market activities both domestically and in foreign jurisdictions. As such it carries out routine broker dealer and investment banking functions in compliance with local laws and regulations. Notwithstanding, BNPP AM does not act as broker or principal in the purchase of securities for transactions with its clients.

The Company believes that the above arrangements do not pose a material conflict of interest to BNPP AM or its clients.

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

BNPP IP has adopted a Code of Ethics (the “Code”) for its affiliated companies, including BNPP AM, that sets forth policies and procedures regarding business ethics, confidentiality, and personal account dealing. The Code describes policies for personal securities transactions, managing conflicts of interests, political activity, outside business activities, private investments, insider information, and gifts, entertainment & contributions.

Regarding personal securities transactions, BNPP AM prohibits its officers, directors and employees from trading, either personally or on behalf of others, while in possession of material non-public information regarding a security or communicating material non-public information to others. Further procedures within the Code state that access persons:

- may not purchase or sell certain covered securities unless the access person obtains advance clearance of such transaction from Compliance. Purchases or sales of covered securities will be permitted only if the securities are not on a restricted list and the Trading Desk has no open orders for the security. Covered securities include certain equity securities, certain debt securities, futures, certain options, investment contracts, as well as non-money market affiliated funds and exclude government securities, non-affiliated money market funds and certain short-term debt instruments.
- may not purchase and sell the same security (or equivalent security) within 30 calendar days.
- may not purchase new equity issues on the initial public offering. Covered persons may acquire an interest in a private placement only with prior written approval. The approval is based, in part, on whether the investment opportunity should be reserved for client accounts.
- may, under unusual circumstances, apply for an exception from a trading restriction, which application may be granted or denied.
- are required to have duplicate confirmations provided to the Compliance Department by each broker. They are also required to report or confirm to the Compliance Department all personal securities holdings on an annual basis and to confirm quarterly that all personal securities transactions have been reported.
- are made aware that violations of the Code could result in them receiving various sanctions including termination.

A copy of the Code is available to clients and prospective clients upon request.

Brokerage Practices

In placing orders and selecting brokers and dealers to execute securities transactions on behalf of clients, BNPP AM seeks prompt execution of orders at the most favorable prices readily attainable. In selecting brokers and dealers, BNPP AM considers a number of factors, including, but not limited to the following:

Best Execution. BNPP AM owes a duty to its clients to seek best execution when executing trades on their behalf. “Best Execution” is generally understood to mean the most favorable cost or net proceeds reasonably obtainable under the circumstances. The full range of brokerage services applicable in a particular transaction may be considered when making this judgment, which may include, but is not limited to the:

- ability of the broker/dealer to minimize costs associated with implementing investment decisions;
- adequacy of the broker/dealers capital in relation to other broker/dealers;
- communication links between the broker/dealer and BNPP AM;
- adequacy of the information provided to BNPP AM by the broker/dealer;
- accommodation of special needs by the broker/dealer;
- broker/dealer commission rates;
- administrative ability;
- underwriting ability;
- provision of information on a particular security or market in which the transaction is to occur;
- reliability and accuracy of communications and settlement processing;
- responsiveness of the broker/dealer;
- financial strength, reputation and stability of the broker/dealer;
- ability of the broker/dealer to handle large transactions;
- knowledge of other buyers and sellers;
- ability of the broker/dealer to handle difficult orders; and
- efficiency of the broker/dealer in executing past transactions.

The specific criteria will vary depending upon the nature of the transaction, the market in which it is executed, and the extent to which it is possible to select from among multiple broker-dealers.

BNPP AM is not obligated to choose the broker-dealer offering the lowest available commission rate if, in BNPP AM’s reasonable judgment, there is a material risk that the total cost or proceeds from the transaction might be less favorable than may be obtained elsewhere, or, if a higher commission is justified by the trading provided by the broker-dealer, or if other considerations, such as those set forth above dictate utilizing a different broker-dealer. Negotiated commission rates will reflect overall execution requirements of the transaction without regard to whether the broker may provide other services in addition to execution.

In seeking best execution, fixed income traders will generally solicit bids and offers from more than one broker/dealer. The trader has the discretion to determine which broker/dealers will be

used. If a single broker/dealer provides the only bid or offer, the portfolio manager or trader will determine from the prices of the similar securities whether the bid or offer is reasonable.

Use of Soft Dollars to Obtain Research Services. In the case where more than one broker/dealer is capable of providing the best combination of price and execution with respect to a portfolio transaction, BNPP AM may select a broker/dealer that furnishes research services. These research services may include:

- Furnishing advice concerning the value of securities, the advisability of investing in, buying or selling securities and the availability of securities, purchasers and sellers in the marketplace.
- Furnishing information, reports, analysis and seminars about issuers, industries, securities, trading markets, legislative and political developments, economic factors and trends, portfolio strategy, access to research analysts, corporate management personnel, industry experts and economists, comparative performance evaluation, technical measurement services, quotation services and other products and services including third party publications, reports and analysis, computer and electronic access, information and accessories that deliver, process or otherwise utilize information including the research described above. All of these products and services assist BNPP AM in carrying out its investment decision-making responsibilities.
- Effecting securities transactions and performing functions incidental thereto such as clearance and settlement.

When BNPP AM uses client brokerage commissions (or markups/markdowns) to obtain research or other products or services, the Company receives a benefit because it does not have to produce or pay for the research, products or services. The Company has an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on the client's interest in receiving most favorable execution. If BNPP AM determines in good faith that the commission charged by a broker/dealer is reasonable in relation to the value of research and brokerage services provided by such broker/dealer, BNPP AM may cause a client to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up). These higher commissions would be within a competitive range for full service broker/dealers. The Company uses soft dollar benefits to service all client accounts, including those accounts that do not generate the soft dollars.

BNPP AM may enter into agreements with broker/dealers regarding the allocation of a minimum annual amount of brokered transactions to such broker/dealers. In exchange, BNPP AM receives research and research related software and services as described above. A transaction will be placed with such broker/dealers only if consistent with the best execution policies described above that take into account the provision of research and related services. BNPP AM will terminate any such arrangement or compensate the broker/dealer in cash for such research to the extent it cannot fulfill the arrangement consistent with such policies.

Some "mixed-use" products and services can be used by BNPP AM for both research/execution and non-research purposes such as administration and marketing. If these products or services are obtained using soft dollars, BNPP AM will allocate the cost between research and non-research

uses. BNPP AM will use its own hard dollars to pay that part of the cost that is not attributable to research/execution uses.

A committee – consisting of members from Trading, Portfolio Management, Compliance, Finance and Operations – has been established to monitor the Company’s brokerage activity including soft dollar usage, trade commissions/related sharing arrangements (see below), brokers, best execution and other brokerage related items. The committee also approves and reviews products and services that are paid with soft dollar commissions. Additionally, all soft dollar payments are authorized by the Chief Financial Officer or Chief Operating Officer.

During BNPP AM’s last fiscal year, examples of proprietary research reports that were paid with soft dollars include:

- Global Economic Research (Bank of America/Merrill Lynch)
- Equity Strategy Research (JP Morgan)
- Quantitative Research (UBS)
- Emerging Economic Perspectives (UBS)
- Global Emerging Market Contenders (Bank of America/Merrill Lynch)
- Global Strategy (Bank of America/Merrill Lynch)
- Asia/Global Equity Markets Strategy (Morgan Stanley)
- Global Equity Research (Barclays Capital)
- Various quantitative and strategy pieces (Empirical Research Partners)

Examples of data services that were paid with soft dollars include:

- Bloomberg L.P.
- Factset Research Systems Inc.
- S&P Financial Services LLC
- Street Account LLC
- Dow Jones & Company, Inc.
- Toronto Stock Exchange Inc.

Commission Sharing Arrangements. BNPP AM may, as permitted by applicable law, use commissions to obtain products or services provided by broker-dealers but produced by third parties, through commission sharing arrangements. Thereby, client transactions may be directed to a particular broker-dealer in return for soft dollar benefits that the Company receives. In a commission sharing arrangement, BNPP AM enters into an agreement with broker-dealers so that certain commissions from transactions placed by BNPP AM at that broker-dealer are pooled by the broker-dealer in order to compensate one or more third-party research providers, which research providers may or may not be a broker-dealer. Products and services which provide lawful and appropriate assistance to BNPP AM’s investment decision-making process may be paid for with commissions generated by client accounts to the extent such products and services were used in that process. BNPP AM would allocate the cost of the product on a basis which it deemed reasonable according to the various uses of the product, and would maintain records documenting the allocation process followed. Only that portion of the cost of the product allocable to research services would be paid with the brokerage commissions generated by fiduciary accounts.

Broker of Credits. BNPP AM may want to pay a research firm for specific research; however such research firm has no trade execution capabilities. Thereby, the research firm establishes a credit relationship with a broker(s) who has trade execution capabilities. The Company may execute trades with this broker. Subsequently, the executing broker settles the trade and credits the full commission amount to the research firm. BNPP AM instructs the executing broker which trades should be credited to the appropriate research firm.

Aggregation of Orders. Although it need not do so, BNPP AM may aggregate orders for multiple client accounts when BNPP AM believes that doing so will result in a more favorable overall execution. When appropriate, BNPP AM will allocate these aggregated orders at the average price obtained.

Directed Brokerage. Generally, BNPP AM is retained on a discretionary basis and is authorized to determine the amount and type of securities to buy and sell and to direct execution of portfolio transactions without consultation of the client on a transaction-by-transaction basis. BNPP AM prefers to select the broker/dealers that will execute portfolio transactions and, in most cases, the client leaves that selection to BNPP AM.

On occasion, a client may direct the use of a particular broker/dealer to execute portfolio transactions. When a client requests or instructs BNPP AM to participate in their client-directed brokerage programs, BNPP AM will treat the client direction as a decision by the client to retain, to the extent of the direction, the discretion that BNPP AM otherwise would have in selecting broker-dealers. BNPP AM may, and generally will, trade directed trades after the completion of other fully discretionary clients' trades. In these cases, BNPP AM is not obligated to, and will generally not solicit competitive bids for each transaction or seek the lowest commission rates for the client as the commission rates have typically been pre-negotiated between the client and the broker and BNPP AM is unable to supersede the terms of that agreement. As such, the client may pay higher commission costs, higher prices and transaction costs than it otherwise would have had it not directed BNPP AM to trade through a specific broker.

Directing brokerage to a particular broker/dealer has the potential to cause certain disadvantages to directed brokerage clients including:

- Impairing BNPP AM's ability to negotiate commission rates and other terms on behalf of directed brokerage clients;
- Denying to directed brokerage clients the benefit of BNPP AM's experience in selecting broker/dealers who are able to execute difficult trades efficiently;
- Limiting directed brokerage clients' opportunities to obtain more favorable prices and lower transaction costs by aggregating their orders with those of other clients;
- Receiving less favorable prices on securities transactions to the extent that BNPP AM must place transaction orders for directed brokerage clients after placing aggregated transaction orders for other clients.

Accordingly, clients directing commissions may not generate returns equal to clients that do not direct commissions such that such client accounts may experience performance and other differences from other similarly managed accounts.

Clients who direct brokerage should understand that similar brokerage services may be obtained from other broker-dealers at lower costs and possibly with more favorable execution.

Allocation of Initial Public Offerings. In the event that BNPP AM participates in any initial public offerings and other securities with limited availability (collectively, “IPOs”), BNPP AM allocates IPOs among client accounts in a fair and equitable manner over time, taking into consideration factors such as account type, client account objectives and preference, investment restrictions, account sizes, cash availability, and current specific needs. BNPP AM generally allocates IPOs on a pro-rata basis (based on order size) subject to de minimis amounts after BNPP AM has received its shares of the IPO.

Where the actual allocation of an IPO is significantly lower than that requested, using the original intended pro-rata allocation proportions may result in allocations to portfolios that are not meaningful. In those situations, BNPP AM may allocate the securities received to significantly fewer portfolios than originally intended and using other allocation processes designed to allocate IPOs in a fair and equitable manner over time, such as a client list rotation process.

Balancing the Interests of Multiple Client Accounts. BNPP AM may manage multiple accounts with similar investment strategies or may manage accounts with different objectives or strategies that may trade in the same securities. Despite the similarities and/or differences, BNPP AM’s portfolio decisions about each client’s investments and the performance resulting from those decisions may differ from those of other clients.

BNPP AM will not necessarily purchase or sell the same securities for client accounts at the same time or in the same proportionate amounts for all eligible clients. When BNPP AM purchases illiquid securities or oversubscribed offerings, it may not be feasible to allocate a pro rata share to all eligible clients. Therefore, not all clients will necessarily participate in the same investment opportunities or participate on the same basis.

Review of Accounts

The assigned portfolio manager reviews all institutional and individual portfolios on a continuous basis. Additional in-depth reviews may be triggered by factors such as contributions to or withdrawals from the account as well as market, economic or geo-political events. Portfolio managers together with BNPP AM’s research department typically conduct at least weekly reviews of our portfolio compositions. In addition, regular reports are made to senior investment personnel regarding the performance and portfolio attributes of the accounts. Last, ongoing monitoring is conducted to seek to ensure that portfolios are managed in accordance with client guidelines and restrictions.

The account portfolio management teams are responsible for continuous review of all assigned accounts. Compliance conducts reviews to monitor for adherence with client guidelines and

restrictions and regulatory restrictions. Risk management personnel review for investment risk within the portfolios.

Clients are provided with the following written reports monthly or quarterly as mutually agreed:

- List of securities held
- Summary of transactions
- Performance data

All reports are in addition to statements from the custodian and/or any reports from the consultant or independent representative that the client may have retained. The client may receive additional types of reports, e.g., proxy voting reports and annual portfolio summaries as may be mutually agreed between the client and BNPP AM.

Client Referrals and Other Compensation

BNPP AM may enter into written agreements with a solicitor who may introduce BNPP AM with US institutional prospects interested in BNPP AM's investment management services. Pursuant to Rule 206 (4)-3 of the SEC Rules under the Investment Advisors Act of 1940, where cash payments are made for solicitation, the Company will have in place a written agreement binding the solicitor to comply with the 1940 Act and Rules and requiring delivery to the client of (a) Part 2 of BNPP AM's Form ADV and (b) a written fee sharing disclosure statement meeting the requirements of the Rule.

As mentioned in the **Advisory Business** Section, BNPP AM may provide asset allocation model portfolios to unaffiliated investment advisers pursuant to licensing agreements whereby BNPP AM provides such model portfolios for a fee. These model portfolios may be made available for potential selection and use by financial intermediaries and/or institutional investors. BNPP AM selects and monitors the performance of its own model portfolios and directs such investment adviser to periodically adjust and rebalance the model portfolios, however BNPP AM does not have direct investment discretion over any assets traded pursuant to these models.

Certain persons employed by BNPP AM hold securities licenses with a third party broker-dealer, Funds Distributors LLC, a Delaware limited liability company. These registered representatives may distribute private funds sponsored by the Company's BNP Paribas Investment Partner European affiliates. Any compensation received from this activity would be paid to the Company by Funds Distributor LLC.

BNPP AM may pay third parties to coordinate investment events for institutional investors (which include executives from pension funds, endowments, public funds, foundations, etc.). BNPP AM personnel may also participate as panelists or pay to sponsor industry conferences where BNPP AM products may be offered to potential clients. BNPP AM may pay either a sponsorship fee or an attendance fee in order to participate at these conferences. The purpose and content of these conferences varies; some focus on new products, marketing techniques; some discuss the regulatory aspects of the advisory business, and some focus on new strategies. Typical attendees

are sponsors, advisers, consultants, service providers (such as IT vendors, lawyers, and compliance consultants) and potential clients.

Custody

Custody is defined as any legal or actual ability by BNPP AM to access client funds or securities. Since all client funds and securities are maintained with a qualified custodian, BNPP AM does not take physical possession nor does it have the authority to take possession of client assets. However, under the current SEC rules, BNPP AM is deemed to have custody of certain client assets solely by virtue of the fact that the qualified custodian is a member of the larger BNPP group. Therefore, we urge all of our clients to carefully review and compare their quarterly reviews of account holdings and/or performance results received from us to those they receive from their custodian. Should you notice any discrepancies, please notify us and/or your custodian as soon as possible.

BNPP AM has implemented policies and procedures to govern those instances where the custodian of a client is a related person of BNPP AM (i.e. a person directly or indirectly controlling or controlled by BNPP AM or a person under common control with BNPP AM). In accordance with those policies and procedures, BNPP AM maintains a copy of the internal control report (SSAE16 audit or equivalent document) of the related person and prepares an internal memorandum to evidence that the related person is operationally independent of BNPP AM. The related person is operationally independent of BNPP AM if the following four criteria are satisfied and no other circumstances can reasonably be expected to compromise the operational independence of the related person:

- client assets in the custody of the related person may not be subject to the claims of BNPP AM's creditors;
- BNPP AM's personnel may not have custody, possession, or access to client assets, or the power to dispose of client assets to third parties for the benefit of BNPP AM or the related person, or otherwise have the opportunity to misappropriate client assets;
- BNPP AM's personnel and personnel of the related person who have access to advisory client assets are not under common supervision; and
- BNPP AM's personnel may not hold any position with the related person or share premises with the related person.

Investment Discretion

BNPP AM typically manages client accounts on a discretionary basis, as authorized by an executed investment management agreement. The account is managed according to the strategy type agreed with the client, subject to any client restrictions that may be provided. All investment guidelines and restrictions for separately managed accounts must be provided in writing.

Voting Client Securities

BNPP AM will exercise discretionary voting authority over proxies issued on securities held in client accounts unless voting authority has been reserved explicitly by the client or assigned to another party by the governing account documents. BNPP AM has adopted proxy voting policies and procedures that govern its proxy voting activities and which includes the operation of a Global Proxy Committee that oversees its global proxy voting activities. This Committee has hired Institutional Shareholder Services (“ISS”) as its voting agent. This Committee has provided ISS with a global proxy voting policy for all portfolios. ISS tracks and receives proxies to which clients are entitled, votes proxies pursuant to the proxy voting policy provided by the Global Proxy Committee or, if the ballot item is not addressed by the global proxy voting policy, votes the proxies according to the ISS voting policy.

BNPP AM’s policy is to follow the recommendations of the Global Proxy Committee or ISS policy. However, BNPP AM’s portfolio managers or analysts may request an override of a Global Proxy Committee or ISS recommendation if they believe that the recommendation is not in the best interests of the client. In such cases, a process is followed to review and approve a vote other than that recommended by the global proxy voting policy or the ISS voting policy. Additionally, there may be instances where BNPP AM or its personnel are subject to conflicts of interest in the voting of proxies. Conflicts of interest may exist, for example, due to personal or familial relationships of personnel or when BNPP AM or an affiliate has a business relationship with, or is soliciting business from, the issuing company (or an employee group of a company) or a third party that is a proponent of a particular outcome on a proxy issue. In cases where it believes there may be an actual or perceived conflict of interest, additional review and steps may be taken including obtaining the prior approval of Compliance or Legal, obtaining the Global Proxy Voting Committee review or approval, deferring to the voting recommendation of a third party, voting pursuant to client direction (following disclosure of the conflict), abstaining from voting, voting reflectively (in the same proportion and manner as other shareholders) or taking such other action as necessary to protect the interests of clients.

In many non-U.S. markets, shareholders may be prevented from selling shares within a certain period of time prior to the meeting date (commonly referred to as share blocking). In such cases BNPP AM compares the benefits to its clients expected to be derived from the voting of blocked shares versus the ability to sell the blocked shares and as a result may choose not to vote the shares. BNPP AM may also choose not to vote non-US proxies when the actual costs of voting the shares outweigh the perceived client benefit, such as cases where traveling to the country to vote the shares in person is required. Additionally, where clients have implemented securities lending programs, BNPP AM will be unable to vote proxies for securities on loan unless it issues instructions to the client custodian to retrieve the securities prior to record date. BNPP AM may choose to refrain from calling back such securities when the voting of the proxy is not deemed to be material or the benefits of voting do not outweigh the cost of terminating the particular lending arrangement.

Although BNPP AM generally votes consistently on the same issue when securities are held in multiple client accounts, certain circumstances may cause BNPP AM to vote differently for different client accounts.

Typically, clients do not direct BNPP AM to vote for a particular solicitation as they authorize the Company to vote on their behalf within their investment management agreement. Clients may, however, contact the Company if they request a specific voting decision be made.

Clients may obtain information on how the Company has voted its proxies and/or a copy of the Company's complete proxy voting policies and procedures by contacting the Company's Compliance Department.

Financial Information

BNPP AM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.