



First Quadrant, L.P.

Form ADV Part 2A

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This Form ADV Part 2A (the “Brochure”) provides information about the qualifications and business practices of First Quadrant, L.P. (“First Quadrant”). If you have questions about the contents of this Brochure, please contact us at (626) 795-8220 or info@firstquadrant.com. The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about First Quadrant is also available on the SEC’s website at www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with First Quadrant who are registered, or are required to be registered, as investment adviser representatives of First Quadrant.

Although First Quadrant is registered as an investment adviser under the Investment Advisers Act of 1940, such registration does not imply that First Quadrant or our personnel have a certain level of skill or training.

March 30, 2012

Item 2 – Material Changes

This Item requires us to summarize any material changes to our Form ADV Part 2A since our last filing on March 31, 2011. While we do not believe the following changes are material, we have nonetheless summarized our changes to the current Form ADV Part 2A below:

- Item 4 – Advisory Business: We have updated our assets under management to approximately \$16.725 billion as of December 31, 2011.
- Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss: One of our Total Return Strategies, Essential Beta Total Return, has been replaced by Commodities Total Return.
- Item 12 – Brokerage Practices: We have updated the details of our current practice on reviewing and choosing brokers or counterparties to indicate the consideration of credit risk, regulatory compliance, trade execution and operational efficiency.

We also made certain other non-material changes in the form. If you would like a copy of our Form ADV Part 2A, please contact First Quadrant's Compliance department via email at FQCompliance@firstquadrant.com or in writing at:

First Quadrant, L.P.
Attn: Chief Compliance Officer
800 East Colorado Boulevard
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Pasadena, CA 91101

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Item 4 – Advisory Business

Introduction

First Quadrant is an investment management firm specializing in dynamic asset allocation and equity strategies. We provide investment management on both a discretionary and non-discretionary basis.

First Quadrant offers an array of risk-controlled strategies in the following areas: global tactical asset allocation, global total return strategies, currency management, commodities, and global equities. Our investment strategies are managed by a team of investment professionals in a manner consistent with our approach to investing.

Our approach is based on an application of the scientific method to validate hypotheses about the existence and profitability of various market opportunities. The result is a set of models that reflect fundamental ideas that have been empirically tested. We focus the research process on factors that we believe have proven successful in different economic environments, and in such a way, we strive to build models that will be robust in varying markets.

First Quadrant serves as an investment adviser or sub-advisor to various institutional clients around the globe, including, but not limited to, corporations and business entities, pension and profit sharing plans, mutual funds, trusts, estates, charitable organizations, private (unregistered) funds, state or municipal government entities, joint ventures, other investment advisers, and foreign governments. Please see “Item 7 – Types of Clients” of this Brochure for more information with respect to First Quadrant’s clients.

First Quadrant has been in business since 1988, and currently has approximately 98 employees working in First Quadrant’s Pasadena, California and Wellesley Hills, Massachusetts offices. As of December 31, 2011, First Quadrant had approximately \$16,724,700,000 in assets under management.

Principal Ownership

First Quadrant’s institutional partner, Affiliated Managers Group, Inc. (“AMG”), is a publicly-traded asset management company (NYSE: AMG) with equity investments in boutique investment management firms. AMG holds a majority interest in First Quadrant. First Quadrant’s senior management owns the remaining interests in First Quadrant.

AMG also holds equity interests in other investment management firms (“AMG Affiliates”). Further information on both AMG and AMG’s Affiliates is provided in “Item 10 – Other Financial Industry Activities and Affiliations” of this Brochure.

Advisory Services

First Quadrant's business includes managing institutional accounts, sub-advising mutual funds, sub-advising a UCITs fund, and managing several private (unregistered) funds (hedge funds). In doing so, First Quadrant provides discretionary investment management services to its clients by utilizing proprietary investment models developed by the Firm to manage its clients' investment accounts. The investment models and associated software, which were developed in-house by First Quadrant, are designed to identify opportunities within financial markets and yield asset purchase and sale decisions that can be executed by traders at First Quadrant. In addition to the use of First Quadrant's proprietary investment models, some investment strategies may engage in trading certain strategies outside of these models.

First Quadrant currently specializes in the areas of dynamic asset allocation and equity investing, which are described in more detail in "Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss" of this Brochure.

Clients of First Quadrant, prospective clients, and other investors may be also solicited by First Quadrant to invest in private funds managed by First Quadrant.

Please see additional information on these investments in "Item 5 – Fees and Compensation" of this Brochure.

In addition to the direct discretionary asset management services that First Quadrant provides to its clients, the Firm also delivers non-discretionary asset management services through the external licensing of First Quadrant's proprietary investment signals. Through this type of arrangement, First Quadrant uses its investment models to develop a series of portfolio and trade recommendations, and provides these recommendations to enable third-party trade execution. First Quadrant does not make the decision to execute these recommendations or perform the actual trade executions.

As an asset manager for institutional clients, First Quadrant recognizes that all of our clients are unique and that, therefore, their investment needs may be different. As such, we may modify our primary investment strategies, as necessary, to meet the goals that our clients specify, in an effort to accommodate the particular investment objectives and accompanying restrictions requested by our clients. At the commencement of the client relationship, each of our clients typically executes an investment management agreement, which sets forth their investment objectives, investment strategy, and any investment restrictions that will be applicable to our management of the assets in the client's account. Prior to the execution of the agreement, we typically review requested objectives and restrictions and work with the client as needed to refine these objectives and restrictions to both meet the client's needs and provide First Quadrant with sufficient discretion to properly invest the client's assets.



Assets Under Management

As noted above, as of December 31, 2011, First Quadrant's client assets under management total ("AUM") were approximately \$16,724,700,000. Of this amount, \$15,584,300,000 is managed by First Quadrant on a discretionary basis, and \$1,140,400,000 is managed by First Quadrant on a non-discretionary basis.

The AUM listed above includes the total market values for all portfolios (fully funded accounts and accounts with notional values) managed by First Quadrant, but excludes non-discretionary portfolios managed and traded by joint venture partners using First Quadrant's investment signals. In contrast, First Quadrant's Regulatory Assets Under Management ("Regulatory AUM") value set forth in the Firm's Form ADV Part 1A includes total market value minus liabilities for each of the Firm's fully funded portfolios, and the notional values of portfolios which are not fully funded.

Please see First Quadrant's Form ADV Part 1A – Item 5.F for more information.

Item 5 – Fees and Compensation

Standard Fee Schedule

First Quadrant is compensated for its investment advisory services through payments of fees made by our clients. First Quadrant's standard fee schedule is included for separate account clients below. This standard fee schedule may be modified from time to time.

Separate Accounts Assets Managed (in Millions)

	Base Fee (risk based)¹			Incentive Fee
Tactical Currency Allocation LS	0.03% per 1.00% of target risk			20.00%
Global Tactical Asset Allocation LS	0.04% per 1.00% of target risk			20.00%
Emerging Market Currency LS	0.07% per 1.00% of target risk			20.00%
	<\$50	\$50-\$100	\$100-\$300	Over \$300
US All Cap Core Equity	0.50%	0.50%	0.40%	0.25%
US Large Cap Equity	0.50%	0.50%	0.40%	0.25%
US Small/Mid Cap Core Equity	0.80%	0.60%	0.50%	0.40%
US Extended Equity	0.65%	0.60%	0.50%	0.40%
Tax-Advantaged Equity	0.65%	0.65%	0.40%	0.30%

Minimum account size - \$25 million

¹ Minimum account size for risk-based strategies is risk level dependent. Minimum annual management fee is generally \$200,000.

Notwithstanding this fee schedule, and subject to applicable laws and regulations, First Quadrant retains discretion over the fees that it charges to its clients, as well as any changes in its fee schedules. Fees may be negotiated in First Quadrant's sole discretion in light of a client's special circumstances, such as asset levels, service requirements, or other factors. In some cases, First Quadrant may agree to offer clients a fee schedule that is lower than that of any other comparable clients in the same investment style. In addition, there may be historical fee schedules with longstanding clients that differ from those applicable to new client relationships. For comparable services, other investment advisers may charge higher or lower fees than those charged by First Quadrant. Advisory fees may be subject to a specified annual minimum; however, First Quadrant reserves the right to waive all or a portion of its management fee and negotiate minimum annual fees.

Fees for advisory services are generally billed either monthly or quarterly, in arrears, and are prorated to the date of termination if the client terminates his or her relationship with First Quadrant. First Quadrant does not directly deduct its fees from client accounts. Fees are also prorated at the inception of the investment advisory agreement to cover only the period of time the account assets were under management.

The fees charged to clients generally are computed as a percentage of the value of the assets under management. To calculate advisory fees, First Quadrant generally relies on prices provided by third-party pricing services, custodians, and/or broker/dealers or platform sponsors for purposes of valuing portfolio securities held in client accounts. First Quadrant may, on occasion, be required to "fair value price" a security when a market price for that security is not readily available or when First Quadrant has reason to believe that the market price is unreliable. When "fair value pricing" a security, First Quadrant will use various sources of information at its disposal to determine a fair price that the security would obtain in the marketplace if, in fact, a market for the security existed.

For any fair value securities, First Quadrant maintains policies and procedures relating to the pricing process, in an effort to mitigate any conflicts of interest with respect to valuation. Specifically, where a pricing service is unable to provide a price for a security which is not an over-the-counter ("OTC") instrument, the Firm's Accounting department will typically request a price from the applicable custodian holding the security, or request First Quadrant's Trading department to refer the Accounting department to an external third party (e.g., broker) or system which may be able to provide a fair value. With respect to an OTC instrument, daily pricing will generally be obtained from the broker or counterparty that executed the trade.

Performance fees (or incentive fees) for certain products are also available, subject to applicable law, and are negotiable.

Please see Item 6 for further information.

Fees for Specialized Accounts and Advisory Services

Private Pooled Investment Vehicles Sponsored by First Quadrant

First Quadrant sponsors various privately-offered pooled investment vehicles. These entities are neither registered under the Securities Act of 1933, nor registered under the Investment Company Act of 1940. Accordingly, interests in these funds are offered exclusively to investors satisfying the applicable eligibility and suitability requirements either in private placement transactions within the United States or in offshore transactions. Certain qualified clients and prospective clients may be solicited by First Quadrant to invest in these private funds. However, no offer to sell these funds is made by the descriptions in this Brochure, and as noted, these funds are available only to investors that are properly qualified.

The typical fee schedule for these funds is an annual management fee ranging from approximately .50% to 1.40% of client assets under management, plus a 20% performance fee on all net profits allocated to each investor on a quarterly basis. Such performance fees may be subject to a “high water mark” or loss carry forward provisions. However, depending on the characteristics of the sponsored fund, fees may be higher or lower than the stated range. Fees earned by First Quadrant for each fund vary from fund to fund. First Quadrant reserves the right to waive some or all fees for certain investors in the funds, including for investors who are affiliated with First Quadrant. Fees for such services and other terms are generally set forth in the offering memorandum or other relevant document. The terms set forth in these documents, such as management and incentive fees (as described above), withdrawal and redemption conditions, and information rights, may be negotiable and varied in limited circumstances under side letters depending on the size of the proposed investment, type of investor, and special legal requirements applicable to the proposed investor.

These funds will bear the expenses of administering their own business, including, without limitation, auditing and accounting fees and expenses, ongoing legal and bookkeeping expenses, administration fees, custodial fees, governmental fees, and the expenses of offering and selling shares. In some instances, First Quadrant may cap certain fund expenses (excluding fees such as management fees, performance fees, and trading costs) at a specified level.

Sub-advisory Arrangements

First Quadrant has been engaged by certain investment advisers (including advisers to registered investment companies) to manage certain portfolios of such advisers. In its capacity as “sub-advisor” to such accounts, First Quadrant’s fees and services are determined by contract with the adviser. Information concerning these sub-advised funds, including a description of the services provided and advisory fees, is generally contained in each fund’s prospectus, which can be found at each fund’s web site. Other fees payable as an investor in a sub-advised fund or other account are described below,

and also in the fund's prospectus or the adviser's fee brochure or client investment management agreement.

Non-Discretionary Programs / Licensing Agreements

As discussed in "Item 4 – Advisory Business" of this Brochure, the Firm delivers non-discretionary asset management services for a fee through the licensing of First Quadrant's proprietary investment signals.

Please see "Item 4 – Advisory Business" for additional information.

Additional Fees and Expenses Payable by Clients

First Quadrant's fees are exclusive of brokerage commissions, transaction fees, service provider fees, and other related costs and expenses which will be incurred by the client. Execution of client transactions typically requires payment of brokerage commissions by clients. "Item 12 – Brokerage Practices" further describes the factors that First Quadrant considers in selecting or recommending broker/dealers for the execution of transactions and determining the reasonableness of their compensation (*e.g.*, commissions). Investment activity may also involve other transaction fees payable by clients, such as sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. In addition, clients may incur certain charges imposed by custodians, broker/dealers, third-party investment consultants, and other third parties, such as custodial fees, consulting fees, administrative fees, and transfer agency fees.

Fees for Investment of Client Assets in Third-Party Exchange-Traded Funds and Custodian Short-Term Investment Funds

At times, First Quadrant may invest clients' assets in third-party exchange-traded funds ("ETFs"), or excess cash held in client accounts may be temporarily invested by the accounts' custodians in the custodians' short-term investment funds ("STIFs"). To the extent that a client's assets are invested in such other funds, the client will also typically pay management and/or other fees to each such fund that are in addition to the fees paid by the client to First Quadrant. Those fees are described in each fund's prospectus. Such charges, fees, and commissions are exclusive of, and typically in addition to, First Quadrant's fee.

Fees charged by ETFs and STIFs generally include two types: shareholder fees and annual fund operating expenses. Shareholder fees may include:

- Redemption fees (fees paid to the fund upon the sale of shares, which generally do not apply to ETFs);
- Exchange fees (fees charged for transferring to another fund within the same fund group); and
- Account fees (account maintenance fees).

Annual fund operating fees include:

- Management fees (fees paid to an adviser or its affiliates for managing the fund);
- Distribution and/or service fees (fees for distribution expenses, and sometimes shareholder service expenses); and
- Other expenses (miscellaneous expenses, such as custodial expenses, legal expenses, accounting expenses, transfer agent expenses, and other administrative expenses).

Clients whose assets are invested in ETFs and/or STIFs may pay some or all of the above fees. Clients should review the prospectus of any fund in which their assets are invested in order to understand the fees that may be applicable to their particular investment.

Fees for the Sale of Securities

Neither First Quadrant nor its employees receive, directly or indirectly, any compensation from the sale of securities or investments that are purchased or sold for your account. First Quadrant is compensated through the stated management fee agreed upon in the investment advisory agreement. Accordingly, First Quadrant believes that it does not have any conflicts of interest regarding the receipt of additional compensation relating to the client assets that we manage.

Item 6 – Performance-Based Fees and Side-by-Side Management

Side-by-Side Management

Our investment professionals simultaneously manage multiple types of portfolios (including institutional separate accounts, sub-advised mutual funds, hedge funds, and a UCITS fund) according to the same or a similar investment strategy (i.e., side-by-side management). As described in Item 11, these portfolios may include proprietary accounts in which First Quadrant or its partners have an interest. The simultaneous management of these different investment products creates certain conflicts of interest, as the fees for the management of certain types of products are higher than others. When managing the assets of such accounts, First Quadrant has an affirmative duty to treat all such accounts fairly and equitably over time and maintain a series of controls in furtherance of this goal.

Nonetheless, each account within a strategy will not necessarily be managed the same at all times, and there is no requirement that First Quadrant use the same investment practices consistently across all accounts. In general, investment decisions for each client account will be made independently from those of other client accounts, and will be made with specific reference to the individual needs and objectives of each client account. Different client guidelines and/or differences within particular investment strategies may lead to the use of different investment practices for accounts within a similar investment strategy. First Quadrant will not necessarily purchase or sell the same securities at the same time or in the same proportionate amounts for all eligible accounts, particularly if different accounts have materially different amounts of capital under management by First Quadrant or different amounts of investable cash available. As a result, although First Quadrant manages numerous accounts with similar or identical investment objectives, or may manage accounts with different objectives that trade in the same securities, the portfolio decisions relating to these accounts, and the performance resulting from such decisions, may differ from account to account.

Since side-by-side management of various types of accounts raises the possibility of favorable or preferential treatment of an account or a group of accounts, First Quadrant has implemented a series of controls to further its efforts to treat all accounts fairly and equitably over time. Under the Firm's Trade Allocation Policies and Procedures, pre-allocations are normally determined prior to bunched orders being entered for execution. All eligible accounts will typically receive an average share/contract price, pay transaction costs pro rata, and receive pro rata allocation in the event of partial executions. Allocations will be determined by the percentage interest each account represents against the total market value of the strategy. Exceptions to these rules may apply in situations where standard allocation procedures would not be in the best interest of the client (e.g., the allocation would violate client investment guidelines). In addition, as described further in "Item 12 – Brokerage Practices" of this Brochure, First Quadrant will seek best execution for its clients without regard to type of account.

In addition, First Quadrant's systematic trading recommendation process supports its efforts to treat all accounts fairly and equitably over time. Generally, trades and trade allocations (other than those for options and futures for hedging options) are generated by in-house proprietary models known as "trade optimizers." (Trade optimizers are algorithms that are created to perform systematic analyses of sets of investment factors, generate trade recommendations based on these analyses, and allocate them across all participating accounts.) Equity traders are generally only authorized to execute trades based on authorized trade recommendations from the equity trade staging team, which typically bases its recommendations on those recommendations generated by the optimizer. Similarly, for derivative trades, traders are typically only authorized to execute trades based on a specified trade authorization report. Moreover, only authorized personnel can execute trades in the Firm's trade order management systems.

Following trade execution, the Firm takes steps to determine that trades have been allocated properly. Compliance typically performs a quarterly review of allocations of futures and options on futures trades, as well as a review of allocations of currency and equities trades on a periodic basis to ascertain that the allocation of trades is fair and equitable. In addition, the Firm's Risk Office reviews risk dispersion to identify relevant risk discrepancies among accounts within the same strategies.

Please also see "Item 11 – Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading" for a discussion of allocation practices involving investments in which the firm has an interest, and the "Trade Aggregation" sub-section of "Item 12 – Brokerage Practices" for a discussion of the Firm's policy and practices with respect to pro rata allocation.

Performance-Based Fees

For some accounts, First Quadrant receives performance-based fees (or incentive fees) for its investment management services. A performance-based fee is a fee representing an asset manager's compensation for managing an account which is based upon a percentage of the net profits of the account being managed. When calculating net profits, performance-based fees may be based on absolute or benchmark relative returns. For accounts managed in accordance with certain investment strategies, a performance-based fee represents our standard fee arrangement. However, in certain other instances, we may negotiate performance-based fees with specific clients. In any event, we may have both performance-based fee accounts and asset-based fee accounts within a particular investment strategy.

Performance-based fees create certain inherent conflicts of interest with respect to First Quadrant's management of assets. Specifically, our entitlement to a performance-based fee in managing one or more accounts may create an incentive for us to take risks in managing assets that we would not otherwise take in the absence of such arrangements.

Additionally, since performance-based fees reward us for strong performance in accounts which are subject to such fees, we may have an incentive to favor these accounts over those that have only asset-based fees (i.e., fees based simply on the amount of assets under management in an account) with respect to areas such as trading opportunities, trade allocation, and allocation of new investment opportunities.

To maintain fair and equitable treatment of all of accounts over time, First Quadrant has implemented a series of controls to further its efforts to treat all accounts fairly, regardless of their corresponding fee-structure. Those controls are discussed above in the “Side-by-Side Management” sub-section of this Item 6.

In addition, First Quadrant has implemented a series of processes and procedures in furtherance of its efforts to determine that performance figures (including any performance fees based on these performance figures) are accurately calculated. Typically, account performance is monitored by Research through the receipt of a daily performance e-mail. Performance calculations are also reviewed by the Accounting department. The development of such calculations, as well as performance composite construction, are separated from the Investment Research and Trading functions. In addition, the Accounting department and an independent auditor typically perform annual reviews of performance dispersion among accounts at the composite level.

Item 7 – Types of Clients

Types of Clients

As stated in “Item 4 – Advisory Business” of this Brochure, First Quadrant serves as an investment adviser or sub-advisor to various institutional clients around the globe, including, but not limited to, corporations and business entities, pension and profit sharing plans, mutual funds, trusts, estates, charitable organizations, private (unregistered) funds, state or municipal government entities, joint ventures and other investment advisers.

In addition to the direct discretionary asset management services that First Quadrant provides to its clients, the Firm also delivers non-discretionary asset management services through the licensing of First Quadrant’s proprietary investment signals.

Please see “Item 4 – Advisory Business” of this Brochure for additional information.

Conditions for Managing Accounts

As a general rule, First Quadrant requires a minimum account size of \$25 million for institutional equity separate accounts and \$1 million for investments in private funds managed by First Quadrant. However, the minimum account size is negotiable and may be waived or modified at First Quadrant’s discretion. In those circumstances where First Quadrant is an adviser or sub-advisor to other funds, the account minimums are generally determined by the relevant fund or by the fund sponsor, and may be waived or modified in First Quadrant’s or the sponsor’s discretion. Generally, First Quadrant requires each client to execute an investment management agreement that details the nature of the discretionary investment advisory authority given to First Quadrant.

Please see “Item 5 – Fees and Compensation” of this Brochure for a full discussion of fee arrangements.

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

Introduction

As discussed in “Item 4 – Advisory Business” of this Brochure, First Quadrant specializes in dynamic asset allocation and equity strategies. We generally offer risk-controlled strategies in the following areas: global tactical asset allocation, global total return strategies, currency management, commodities, and global equities. As further described below, each of our investment strategies is managed by a team of investment professionals in a manner consistent with our approach to investing.

Methods of Analysis

First Quadrant provides discretionary investment management services to its clients by generally utilizing proprietary investment models to manage its clients’ investment accounts. The models and associated software are developed internally by First Quadrant. As a systematic manager, First Quadrant employs a centralized team-based approach to the traditional functions of investment research, portfolio management, and implementation.

First Quadrant’s security analysis and overall process is both fundamental and systematic. We are “systematic” in that the process is generally model-driven and systematically implemented, which provides both transparency and risk management. We rely on our fundamental insights into markets and economies as the source of our ideas. The proprietary models we build are the systematic expression of those fundamental ideas. We also look for circumstances in which our models might be less effective than normal and will, as necessary, take actions designed to reduce risk when such circumstances exist. Such circumstances are typically characterized by an extraordinary degree of outside influence on the behavior of asset prices or risk in the financial markets.

Accordingly, the Investment Research team uses fundamental insights and systematic tools to analyze market opportunities. Research generally begins with the formation of a hypothesis that is then examined by our research team. Thereafter, investment strategies that are accepted by our research team are typically systematized via a model. This model is then tested and analyzed by the research team. The resulting model, if added, works in concert with existing models to generate trade signals that then serve as the building blocks for portfolio construction and risk management. Although the Investment Research team is charged with developing, evaluating, and enhancing these models, the team does not have the discretion to override or change the model output.

The portfolio management function typically focuses on systematically constructing accounts based on First Quadrant’s investment recommendations. The goal is for accounts to be managed according to each client’s pre-established parameters and the investment strategy’s stipulated guidelines. Portfolio construction decisions are generally made using proprietary portfolio management software. In the case of extraordinary

market circumstances, however, the team may recommend actions designed to reduce active risk, which must ultimately be approved by the Firm's Chief Investment Officer. This process facilitates the systematic implementation of the firm's investment strategies.

The Trading Implementation and Trade Research teams generally work in conjunction with Investment Research. The objectives of the trading team are to preserve asset value and to maximize the investment performance of First Quadrant. The Trading Implementation team generally focuses on best execution, while Trade Research analyzes transaction costs, identifies ways to improve trading implementation, and develops models to enhance performance.

As a firm, trading is an important part of our investment management function. We monitor both commission rates and market impact costs in the markets in which we trade. Commission rates are reviewed periodically in each market and with counterparties. Our objective is to maintain low overall commission costs without compromising broker efficiency. Market impact costs are also reviewed in order to analyze each market for liquidity, cost, and depth. This analysis is typically done across market environments. We generally trade in markets that we believe exhibit a consistent level of market depth, liquidity, and cost.

First Quadrant also has an independent Risk Office responsible for monitoring risk independently from Investment Research. The Risk Office utilizes proprietary systems as well as third-party risk management software to calculate and monitor a number of risk measures with respect to our portfolio holdings.

Information Sources

First Quadrant's research is generally performed by its Investment Research team. Investment ideas are generated from multiple sources, including, but not limited to:

- Internal research, based on experience, individual ideas, science, and markets;
- Proprietary information provided by third parties; and
- Various publications, including, but not limited to, market and industry literature, investment journals, and white papers.

First Quadrant receives data from a number of sources, including, but not limited to, economic data and security-specific data. Data sets from these various sources are maintained and validated internally by First Quadrant.

Current Investment Strategies

As noted above, First Quadrant's strategies can be divided into two overall strategy concepts: dynamic asset allocation and equity strategies.

Dynamic Asset Allocation

First Quadrant's dynamic asset allocation strategies invest in various liquid markets within and across asset classes, utilizing primarily derivative-based instruments. Derivatives exposures may consist of exchange-traded futures on equity indices, sovereign debt and commodities, exchange-traded options on global equity indices, index futures and index exchange-traded funds, exchange-traded options on sovereign debt futures, over-the-counter currency forwards, over-the-counter currency options, equity and bond index swaps and exchange-traded funds. Derivatives usage may expand over time into new derivatives instruments.

First Quadrant's dynamic asset allocation strategies are typically offered in three broad categories: Diversified Alpha, Optimal Beta, and Total Return.

Diversified Alpha Strategies are long-short and are designed to provide a pure alpha (uncorrelated) return stream. They include the following sub-strategies:

- Tactical Currency Allocation;
- Global Tactical Asset Allocation;
- Global Diversified Alpha; and
- Emerging Market Currency LS.

Optimal Beta Strategies are long-only and seek to add value through risk diversification by balancing risk within markets, across markets, and through time. They include the following sub-strategies:

- Essential Beta (commonly known as risk parity or diversified growth); and
- Balanced Risk Commodities Index (BRCI).

Total Return Strategies strive to combine our ideas and seek to add value by tactically varying active and passive exposures according to the economic environment to attempt to achieve a higher risk-adjusted return. They include the following sub-strategies:

- Global Diversified Return; and
- Commodities Total Return.

Equity Strategies

First Quadrant's equity strategies invest domestically and globally in equity securities. The equity strategies employ a systematic approach designed to profit from the cyclical nature of investment styles, industries, and individual stock selection models. The combination of these disciplines results in a process that seeks to earn excess returns from both stock selection (bottom-up models) and portfolio style (top-down models), while attempting to control risk through optimization techniques. Bottom-up stock selection models rank stocks based on a number of individual firm characteristics. Top down models use macro economic and market information to tactically shift the account's exposures to risk factors according to market cycles.

First Quadrant's equities strategies are generally offered in two broad categories, long-only or long-short equity, and include the following strategies:

Long-only:

- U.S. All Cap Equity
- U.S. Large Cap Equity
- U.S. Small/Mid Cap Core Equity
- Tax-Advantaged Equity

Long-short:

- U.S. Extended Equity

Within the long-only strategies, we seek to purchase stocks that we believe to be undervalued or likely to appreciate. In contrast, within the long-short strategy, we seek to both buy long equities that we expect to increase in value and sell short equities that we expect to decrease in value. (Selling short equities involves selling equities which we do not actually own, but which we hope to cover by buying back the sold securities at a lower price in the future, and thus earning a profit.)

Certain Risk Considerations

The investment strategies utilized by First Quadrant carry different levels of risk. In each strategy, all securities include a risk of loss of principal and any profits that have not been realized. The stock markets, bond markets, and derivatives markets fluctuate substantially over time and, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets the firm manages on your behalf, and such a loss may be out of our control. We cannot guarantee any level of performance and cannot guarantee that your account will not experience a loss in value.

Some of the general risks to which client assets may be susceptible include:

- **Market Risk**—market prices of securities held may fall rapidly or unpredictably due to a variety of factors, including changing economic, political, or market conditions.
- **Foreign Investment Risk**—securities or other investments of foreign issuers involve additional risks (such as risks arising from less frequent trading, changes in political or social conditions, and less publicly available information about non-U.S. issuers) that differ from those associated with investing in securities of U.S. issuers and may result in greater price volatility.
- **Leverage Risk**—use of leverage, including borrowing and some derivative instruments such as futures, can magnify relatively small market movements into relatively larger losses for an account.

- **Liquidity Risk**—particular investments may be difficult to sell at the best price or at any price.
- **Political Risk**—changes in the political status of any country can have profound effects on the value of investments exposed to that country.

Risks by Strategy – Dynamic Asset Allocation

First Quadrant's Dynamic Asset Allocation accounts may also be subject to the following additional risks:

- **Asset Allocation Risk**—the Fund's investments may not be allocated in the best performing asset classes or markets.
- **Derivatives Risk**—complexity and rapidly changing structure of the derivatives market may increase the possibility of market losses.
- **Credit and Counterparty Risk**—issuers of bonds or other debt securities or counterparties to derivatives contracts may not be able to meet interest, principal, or settlement payments or otherwise honor their obligations.
- **Currency Risk**—fluctuations in exchange rates may affect the total loss or gain on a non-U.S. dollar investment when converted back to U.S. dollars.
- **Exchange-Traded Fund Risk**— in less efficient markets, it may be difficult to match an ETF seller with a buyer. In addition, tracking error, management expenses, and the liquidity of the market which the ETF targets can lead to returns that do not meet those of the market. Because ETFs incur their own costs, investing in them could result in a higher cost to the investor.
- **Hedging Risk**— the practice of hedging involves betting against an initial investment; therefore, any profit from the initial investment will be mitigated by the loss suffered by the derivative. In addition, due to the rapid movement of prices, a loss suffered by the hedging derivative may outweigh gains from the underlying security.
- **Inflation Risk**—the price of an asset, or the income generated by an asset, may not keep up with the cost of living.
- **Interest Rate Risk**—fixed-coupon payments (cash flows) of debt securities may become less competitive with the market in periods of rising interest rates and cause debt security prices to decline.
- **Prepayment Risk**—many bonds and debt securities have call provisions that may result in debtors paying back the debt prior to maturity during periods of decreasing interest rates.
- **Reinvestment Risk**—investors may have difficulty reinvesting payments from debtors and may receive lower rates than from their original investments.
- **U.S. Government Securities Risk**—obligations of certain government agencies are not backed by the full faith and credit of the U.S. government. If one of these agencies defaults on a loan, there is no guarantee that the U.S. government will provide financial support.

Risks by Strategy – Equities

First Quadrant's Equities accounts may also be subject to additional risks, including the following:

- **Small- and Mid-Capitalization Stock Risk**—the stocks of small and mid-capitalization companies often have greater price volatility, lower trading volume, and less liquidity than larger, more established companies.
- **Growth Stock Risk**—growth stocks may be more sensitive to market movements because their prices tend to reflect future investor expectations rather than just current profits.
- **Large Capitalization Stock Risk**—large-capitalization companies are generally more mature and may not reach the same levels of growth as small- or mid-capitalization companies.
- **Short Sale Risk**—the sale of a security that is borrowed may subject an account to potentially unlimited losses if the stock rises in value.

Risk Mitigation

First Quadrant has a multi-tiered approach to risk management and monitoring. While the goal of this approach is to proactively identify and mitigate risks, there can be no guarantee that the techniques will be successful.

1. **Model Risk — Investment Research:** As discussed above, the investment models generate trade recommendations. These models are designed to help manage risk, and seek to limit risks to instances where it may be rewarded.

Once trades are implemented and entered into the portfolio management system, each portfolio is typically reconciled. Our Trading Back-Office team generally reconciles trades and positions with a third-party trade affirmation platform, our portfolio management system, and our trade capture system after each trading day. If trades are implemented incorrectly, the system is designed to recognize the incorrect allocation of risk and recommend the portfolio be returned to its desired positions. Conversely, if trades are not implemented, the system is designed to monitor this status, and will continue to recommend trades accordingly.

2. **Guideline Risk — Proprietary Investment Management Systems:** Our proprietary investment and risk management systems store and manage certain specific portfolio information, including client constraints (e.g., individual asset limits, regional limits, gross leverage limits), client benchmark settings, and aggressiveness/risk settings which allow us to monitor portfolio compliance. Our systems also store and maintain asset attractiveness (i.e. signal) information. This information is generally updated daily, and has the capacity to be updated with more frequency. An important

component of these systems is the optimizer, which generates new trade recommendations for each portfolio. During the process of generating trade signals, the optimizer takes into account each portfolio's mandated constraints and produces trade recommendations for each portfolio. Although the generation of trade recommendations is typically automated, trades are generally pre-screened by our trading desk and any abnormal recommendations are discussed with the product strategists before execution. While we typically rely on our proprietary management systems to determine that portfolios are within mandated guidelines, we generally review trades prior to implementation in an effort to ensure compliance.

The Firm also maintains controls over the set-up of new portfolios and changes to existing portfolios, including protocols for changes to guidelines.

3. **Independent Review and Analytics — Risk Office:** The Risk Office provides an independent oversight of risk models and data sources. The Risk Office has an independent reporting structure, reporting directly to the Executive Office. The Risk Office utilizes third-party risk management software to calculate a number of risk measures. The following risk measures are monitored generally on a daily basis: ex-ante tracking error, Value at Risk ("VaR") at identified confidence levels, and tail risk measures such as expected shortfall (average tail) at identified confidence levels. In addition to these portfolio level risk measures, the Risk Office monitors risk decomposition, e.g., by strategy, risk factors, country, sector, and industry where appropriate. The risk analysis also includes portfolio sensitivity measures, stress tests, and tests of the normalcy of the risk distribution. The analysis uses multiple risk models to test for model risk. In addition to the third-party risk software, the Risk Office has developed internal systems to review "non-parametric" risks (e.g., tail risk), as well as to provide an independent measure of more parametric risks (e.g., tracking error).

First Quadrant also has a Risk Committee which generally meets on a monthly basis to review investment, operational, regulatory, and process risks across the Firm. The groups which comprise the Risk Committee include Compliance, Accounting, Trade Operations, Trading, Research, the Executive Office, and the Risk Office. Any issues or concerns raised are assigned to a member of the committee, who then manages resolution of the issue and reports back to the committee.

A Counterparty Committee is also responsible for monitoring, analyzing, and approving counterparties that are utilized for derivative transactions. The creditworthiness, financial strength, and operational capability of brokers are analyzed prior to their addition to an approved broker list and are reviewed thereafter on typically an annual basis.

Item 9 – Disciplinary Information

There are no applicable legal or disciplinary events relating to First Quadrant.

Item 10 – Other Financial Industry Activities and Affiliations

Affiliations

As noted previously, First Quadrant's institutional partner is AMG, a publicly traded asset management company (NYSE:AMG) with equity investments in boutique investment management firms, including First Quadrant. AMG also holds equity interests in certain other investment advisers ("AMG Affiliates"). Each of the AMG Affiliates, including First Quadrant, is operated autonomously and independently, and except as described in this Brochure, First Quadrant does not have any business dealings with these AMG Affiliates and does not conduct any joint operations with them. Moreover, the AMG Affiliates do not formulate advice for First Quadrant's clients. As such, AMG's ownership interest in First Quadrant does not, in First Quadrant's view, present potential conflict of interest for First Quadrant with respect to our clients. More information regarding AMG, including its public filings and a list of all AMG Affiliates, is available at www.amg.com.

First Quadrant has mutual fund sub-advisory agreements with Managers Investment Group LLC ("MIG"), an AMG Affiliate, under which First Quadrant serves as sub-advisor to mutual funds in the Managers Funds family of mutual funds, for which MIG is the adviser. As described in each fund's prospectus, the funds pay MIG advisory fees, and MIG pays First Quadrant sub-advisory fees with respect to the funds we manage.

First Quadrant has a servicing agreement with MIG under which MIG provides non-discretionary back office support, administrative assistance, and marketing services to support First Quadrant's provision of advisory services to or through various unaffiliated third-party investment programs. First Quadrant pays MIG a fee for the services provided by MIG under these servicing arrangements.

First Quadrant has a marketing agreement with MIG under which MIG markets First Quadrant's investment management services to unaffiliated third-party intermediaries that sponsor sub-advised mutual funds and/or other platforms, such as defined contribution retirement plan platforms. First Quadrant pays MIG a fee for these services.

First Quadrant has an employee based in Chicago who utilizes office space at MIG's Chicago office; however, this employee is supervised by First Quadrant's personnel located in First Quadrant's offices.

First Quadrant has client service/marketing agreements with subsidiaries of AMG under which the AMG subsidiaries market First Quadrant's investment services to clients and provide client services to the Firm's clients in various foreign jurisdictions. First Quadrant pays the AMG subsidiaries a fee for these services.



Certain of First Quadrant's employees are registered representatives of Managers Distributors, Inc. ("MDI"), a limited purpose broker/dealer that is a wholly owned subsidiary of MIG and that is the underwriter of the Managers Funds.

Other Financial Activities

First Quadrant is registered as a commodity pool operator and a commodity trading advisor with the Commodity Futures Trading Commission and the National Futures Association.

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

First Quadrant has established various internal controls and procedures designed to address potential conflicts of interest arising between client accounts and First Quadrant and its personnel.

Code of Ethics

As a registered investment adviser, First Quadrant has a fiduciary duty to its clients, and accordingly has adopted a Code of Ethics (the “Code”) that applies to all employees. The Code describes the standard of conduct First Quadrant requires of its employees and sets forth restrictions on certain activities, including personal trading in accounts owned, managed or beneficially owned by the employees. The Code’s provisions also include requirements relating to areas such as ethics, compliance with federal securities laws, gifts and business entertainment, confidentiality of information, insider trading, and the provision and solicitation of political and charitable contributions. By setting forth the regulatory and ethical standards to which First Quadrant’s employees must adhere, the Code supports our efforts to promote a high level of professional ethical conduct in furtherance of our fiduciary duty to our clients.

Personal Trading

Among other things, the Code limits and monitors the personal trading activity of our employees, including members of our employees’ households. These limitations seek to further First Quadrant’s efforts to prevent employees from personally benefiting from First Quadrant’s investment decisions for its clients and/or any short-term market effects of First Quadrant’s recommendations to clients. Specifically, the Code requires employees and certain members of their households to “pre-clear” their personal securities transactions with our Firm’s Compliance Department prior to execution, with some limited exceptions. The Code also prohibits such persons from trading in securities during specific periods of time when they are on a list of those being considered for purchase or sale by the Firm for our clients’ accounts (i.e., “blackout periods”). Limitations also exist for such persons on participation in initial public offerings and private securities offerings. All employees must provide First Quadrant with a listing of their securities holdings, as well as duplicate copies of monthly or quarterly statements (transaction reports) with respect to their brokerage accounts. These restrictions and requirements of the Code apply to all accounts over which employees have investment discretion, or in which they have a direct or indirect beneficial ownership interest.

Participation or Interest in Client Transactions

Certain principals of First Quadrant and certain employees may invest their own or the Firm’s assets in accounts managed by First Quadrant. These accounts may hold,

purchase, or sell the same securities in which clients have interests. For example, First Quadrant is general partner and investment adviser for certain unregistered funds which are exclusive to certain First Quadrant principals. These funds are used to incubate new strategies. First Quadrant may also allow a Firm principal and certain employees to invest in certain registered and unregistered funds managed by First Quadrant. We may have an incentive to favor accounts in which our employees invest with respect to trading opportunities, trade allocation, and allocation of investment opportunities. To address these potential conflicts of interest, First Quadrant has implemented a series of controls in furtherance of its goal to treat all accounts in a fair and equal manner over time.

Please see the “Side-by-Side Management” sub-section of “Item 6 – Performance-Based Fees and Side-by-Side Management” for a description of these controls.

In addition, due to the nature of our clientele, First Quadrant may, from time to time, trade in securities issued by our clients. In such instances, First Quadrant will do so in what it believes to be the best interest of its clients who are trading in such securities. First Quadrant will not, under any circumstances, consider a security issuer’s status as a client of the firm when determining to trade in that issuer’s security on behalf of other client accounts.

First Quadrant serves as investment adviser for several unregistered, offshore private funds, for which the Firm receives management and incentive fees from these private funds, and ultimately their investors.

Please see “Item 5 – Fees and Compensation” for additional information on these funds.

First Quadrant may recommend these funds to clients who meet certain minimum net worth and asset qualifications. However, First Quadrant will only invest client assets in such funds if it believes that such investment is in the best interest of the client.

Please see “Item 13 – Review of Accounts” for a description of First Quadrant’s efforts to assess the appropriateness of holdings within client accounts.

Principal Trades

First Quadrant does not engage in principal trades with our clients.

Insider Trading/Material Non-Public Information

All employees of First Quadrant are subject to AMG’s Insider Trading Policy and Procedures (the “AMG Insider Trading Policy”). The AMG Insider Trading Policy broadly prohibits the use of material, non-public information, and also imposes restrictions on the trading of AMG’s stock. In addition, First Quadrant’s Code also

includes policies and procedures prohibiting the use of material non-public information that are designed to prevent insider trading by an officer or employee of First Quadrant.

In accordance with these policies, whenever an employee of First Quadrant receives material, non-public information about a company, that individual may not trade or recommend trading on the basis of such information or divulge such information to persons other than the CCO until the information is public. If the employee has any question at all as to whether the information is material or inside and not public, that individual must resolve the question or questions before trading, recommending trading, or divulging the information.

Gifts and Business Entertainment

First Quadrant's Code includes policies and procedures regarding giving or receiving gifts and business entertainment between the Firm's employees and certain third parties (e.g., vendors, broker/dealers, consultants, etc.) to help mitigate the potential for conflicts of interest surrounding these practices. In general, First Quadrant limits the amount of gifts and business entertainment that may be provided by employees to these parties, and requires the pre-approval of certain items by our Compliance Department. First Quadrant generally monitors for potential conflicts of interest with respect to individual instances of gifts or entertainment, as well as patterns of the same over time, to prevent the interests of First Quadrant and its employees from being placed ahead of the interests of our clients.

As noted in "Item 10 - Other Financial Industry Activities and Affiliations" of this Brochure, certain employees of First Quadrant are also registered representatives of MDI and are subject to additional procedures and restrictions with respect to gifts and business entertainment activities.

Charitable Contributions

From time to time, First Quadrant may donate to charitable enterprises that are clients, are supported by clients, and/or are supported by an individual employed by one of our clients. In general, those donations are made in response to requests from clients and/or their personnel. Members of First Quadrant's management team approve charitable contributions to be made by the firm. Management may take into consideration the importance of the client relationship as one factor in determining whether to approve a charitable contribution.

In addition, First Quadrant's Code addresses the giving or receiving of charitable donations by First Quadrant employees. Under no circumstances should a First Quadrant employee ask a business or business contact to make a donation on behalf of First Quadrant or the employee.

Political Contributions

First Quadrant prohibits its employees from making political contributions on behalf of First Quadrant or to be reimbursed for personal political contributions, or from making political contributions for the purpose of securing or retaining business. First Quadrant maintains policies and procedures that set forth specific limitations as to whom employees may make contributions and the amounts of such contributions, as well as preclearance requirements for certain political contributions.

Distribution of Code

All of our employees are provided with a copy of our Code at the time of hire, and each employee must affirm that they have received a copy of the Code, and that they have read and understand its provisions. In addition, as amendments are made to the Code, employees are provided with a copy of such amendments and must submit a written acknowledgement that they have received, read, and understood the amendments to the Code. In addition, on an annual basis, employees are required to certify that they have read, understood, and complied with the Code. Additionally, we conduct periodic compliance training that addresses the requirements of the Code and the other policies described in this Item. A copy of First Quadrant's Code is also available to clients or prospective clients upon request, and may be obtained by contacting First Quadrant using the contact information on the cover page of this Brochure.

Item 12 – Brokerage Practices

Generally, First Quadrant is retained on a discretionary basis and is authorized to determine and direct execution of portfolio transactions within the client's specified investment strategies. Some clients limit First Quadrant's authority in terms of the selection of broker-dealers in favor of their own brokerage arrangements. First Quadrant has a fiduciary duty to seek best execution, and to ensure that trades are allocated fairly and equitably among clients over time.

Brokerage Relationships

First Quadrant's relationships with broker/dealers, particularly those affiliated with large financial services organizations, are complex. First Quadrant uses various broker/dealers to execute trades on behalf of clients, but First Quadrant may also have many other relationships with such firms. For example:

- First Quadrant may invest client assets in securities issued by broker/dealers or their affiliates.
- First Quadrant may provide investment management services to certain broker/dealers or their affiliates.
- Certain broker/dealers may provide both internally-generated and third-party research to First Quadrant, as part of a bundled service.
- Certain brokers/dealers may refer clients to First Quadrant.

Notwithstanding such relationships or business dealings with these broker/dealers, First Quadrant has a fiduciary duty to its clients to seek best execution when trading with these firms, and has implemented policies and procedures to monitor its efforts in this regard as described further below.

Best Execution – Selection Factors for Broker/Dealers

As noted above, First Quadrant has a duty to seek best execution of transactions for client accounts. "Best execution" is generally understood to mean the most favorable cost or net proceeds reasonably obtainable under the circumstances. In seeking best execution, First Quadrant looks for the best combination of transaction price, quality of execution (such as the speed of execution and the likelihood the trade will be executed), and other valuable services that an executing broker/dealer may provide.

Clients often grant First Quadrant the authority to select the broker/dealer to be used for the purchase or sale of securities. First Quadrant, in seeking best execution, will make this selection based on a number of factors, which may include, but are not limited to, the following: the broker/dealer's financial soundness; the broker/dealer's ability to effectively and efficiently execute, report, clear, and settle the order; the broker/dealer's ability to maintain confidentiality; the broker/dealer's ability to commit capital; the

broker/dealer's ability to timely and accurately communicate with First Quadrant's trading desk and operations team; the broker/dealer's ability to provide valuable research; the broker/dealer's commission rates; and similar factors. First Quadrant does not consider any client referrals from a broker/dealer when determining best execution, or when placing client trades.

For a description of First Quadrant's consideration of research provided by a broker/dealer, please see the "Soft Dollars/Broker Research" sub-section below in this Item 12.

Recognizing the value of these factors, First Quadrant may select a broker/dealer that charges a commission in excess of that which another broker/dealer might have charged for effecting the same transaction. First Quadrant is not obligated to choose the broker/dealer offering the lowest available commission rate if, in First Quadrant's reasonable judgment, the total cost or proceeds from the transaction may be less favorable than what may be obtained elsewhere or if a higher commission is justified by the service and/or research provided by another broker/dealer.

Purchase and sales of portfolio securities other than on a securities exchange are generally executed with primary market makers acting as principals, except where, in the Firm's judgment, better prices and execution may be obtained on a commission basis or from other sources.

First Quadrant has implemented a series of internal controls and procedures to address the conflicts of interest associated with its brokerage practices. To determine that it is receiving competitive commission rates for its transactions over time, First Quadrant will periodically evaluate commission rates being charged by its executing brokers. First Quadrant periodically reviews the past performance of the exchange members, brokers, or dealers with whom it has been placing orders to execute portfolio transactions in light of the factors discussed above. To the extent First Quadrant has been paying higher commission rates for its transactions, First Quadrant will generally determine if the quality of execution and the services provided by the broker/dealer justify these higher commissions. First Quadrant may cease to do business with certain exchange members, brokers or dealers whose performance may not have been competitive or may demand that such persons improve their performance before receiving any further orders.

First Quadrant's Broker/Counterparty Committee meets regularly to review brokers or counterparties currently utilized by the Trading group, giving consideration to credit risk, regulatory compliance, trade execution and operational efficiency. The Committee must approve any broker or counterparty to be added to the Equity and Derivative Approved Counterparty/Broker Lists, and such lists are updated as necessary based on these meetings. The Committee also develops a "watch list" that is used to monitor counterparties that may require additional scrutiny.

Directed Brokerage

First Quadrant does not direct or require its clients to use a specified broker/dealer for portfolio transactions in their accounts.

In some cases, clients have directed First Quadrant to use specified broker/dealers for portfolio transactions in their accounts. In such a case, First Quadrant 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 designated broker/dealer (“directed broker”). Since First Quadrant has not negotiated the commission rate and may not be able to obtain volume discounts, the commission rate charged by the directed broker may be higher than what First Quadrant could receive from another broker/dealer. In addition, the client may be unable to obtain the most favorable price on transactions executed by First Quadrant as a result of First Quadrant’s inability to aggregate/bunch the trades from this account with other client trades.

In some situations, First Quadrant may not execute a client’s securities transactions with its directed broker until non-directed brokerage orders are completed. Accordingly, clients who direct commissions to specified broker/dealers may not generate returns equal to clients that do not direct commissions. 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. In some instances, pre-negotiated rates have not been made by the client with the directed broker. In those cases, the client will be charged the broker’s applicable commission rates.

First Quadrant reserves the right to reject or limit client requests for directed brokerage, and clients may be charged a premium for such arrangements.

In certain cases, First Quadrant believes that the potential cost associated with client directed brokerage can be reduced through the use of "step-out" trades. In these cases, orders directed to multiple brokers may be executed by a single broker and the trades then stepped out for settlement to the directed broker. All commissions, fees, and charges for the trades done in directed portfolios will be paid to the directed broker (see the “Step-Outs” sub-section below).

Step-Outs

First Quadrant may use “step-out trades” when we determine that it may facilitate better execution for certain client trades. Step-out trades are transactions which are placed at one broker/dealer and then “given up” or “stepped out” by that broker/dealer to another broker/dealer for credit. Step-out trades may benefit the client by finding a natural buyer or seller of a particular security so that First Quadrant can trade a larger block of shares more efficiently. Unless directed otherwise by the client, First Quadrant may use step-out trades for any client account.

First Quadrant may use step-out trades to accommodate a client's directed brokerage mandate. In the case of directed brokerage accounts, trades are often executed through a particular broker/dealer and then "stepped-out" to the directed brokerage firm for credit. In circumstances where First Quadrant has followed the client's instructions to direct brokerage, there can be no assurance that First Quadrant will be able to step-out the trades, or, if it is able to step-out the trades, that it will be able to obtain more favorable execution than if it had not stepped-out the trades.

In the event that a client's directed broker is incapable of receiving step-out trades and the executing broker is not one of the client's directed brokers, First Quadrant's Trading Department will generally execute block orders for non-directed clients before it executes orders for clients that direct brokerage transactions.

Cross Trades

First Quadrant does not engage in cross trades in its client accounts.

Liquidity Rebates

In selecting broker/dealers to execute transactions for the accounts we manage, First Quadrant does not consider any "liquidity rebates" that may be available to those broker/dealers. Broker/dealers may earn "liquidity rebates" (i.e., a certain cash rebate) when placing orders in certain market centers while trading on behalf of First Quadrant. As discussed above, First Quadrant chooses broker/dealers based on our policy of seeking best execution, which is determined by various quantitative and qualitative factors.

Soft Dollars/Broker Research

First Quadrant does not engage in soft dollar arrangements for third-party products or services (arrangements through which an investment adviser may direct certain transactions for execution to certain broker/dealers in recognition of brokerage and research services provided by third-party providers).

First Quadrant, however, does receive proprietary research products and services (together, "research") from broker-dealers in connection with commissions paid on transactions it places for client accounts. Proprietary research is generally part of a "bundle" of brokerage and research and the research is not separately priced. The research that First Quadrant receives is within the eligibility requirements of Section 28(e) of the Securities Exchange Act of 1934 and provides assistance to First Quadrant in the provision of investment advice to client accounts. The research may include proprietary research reports on issuers, industries and the economy, market data analysis, market impact analysis and models, risk measurement analysis, pre- and post-trade analytics and other analyses or information relating to the economy and/or security prices, including access to analysts and executives of issuers.

First Quadrant may direct certain transactions for execution to certain broker/dealers in recognition of brokerage and research services provided by those broker/dealers. Such transactions generally cause clients to pay a commission rate higher than would be charged for execution only. To the extent that First Quadrant is able to obtain such products and services through the use of clients' commission dollars, it reduces the need to produce the same research internally or through purchases from outside providers and thus provides an economic benefit to First Quadrant and its clients. First Quadrant may have an incentive to select a broker/dealer in order to receive such products and services whether or not the client receives best execution. However, First Quadrant may give trading preference to those broker/dealers that provide research products and services, either directly or indirectly, only so long as First Quadrant believes that the selection of a particular broker/dealer is consistent with First Quadrant's duty to seek best execution.

The research products/services provided by broker/dealers benefit First Quadrant's investment process for client accounts and may be used in formulating investment advice for any and all clients of First Quadrant, including accounts other than those that paid commissions to the broker/dealers on a particular transaction. In addition, not all research generated by a particular client's trade will benefit that particular client's account. In some instances, the other accounts benefited may include accounts for which the accounts' owners have directed their portion of brokerage commissions to go to particular broker/dealers other than those that provided the research products/services. However, research services obtained through broker/dealers may be used in advising all accounts, and not all such services would necessarily be used by First Quadrant in connection with the specific account that paid commissions to the broker/dealer providing such services.

First Quadrant periodically reviews the past performance of broker/dealers with whom it has been placing orders in light of the factors discussed above. Notwithstanding any research provided, First Quadrant may cease to do business with certain broker/dealers whose performance may not have been competitive, or we may demand that such broker/dealers improve their performance before receiving any further orders. The overall reasonableness of commissions paid is evaluated by reviewing what competing broker/dealers were willing to charge for similar types of services. The evaluation would also consider the timeliness and accuracy of the research received. Reasonableness is evaluated on an ongoing basis.

As noted previously, First Quadrant maintains a series of internal controls and procedures relating to its brokerage practices. Please see the "Best Execution" sub-section above for a description of these controls. These controls and procedures are designed to mitigate the potential conflicts of interest described in this Item.

Trade Aggregation

When two or more portfolios are simultaneously engaged in the purchase or sale of the same security, First Quadrant may, but is not obligated to, combine and aggregate the

transactions to form a “bunched trade” or “block trade.” In such cases, these accounts will receive the average price of the transactions in that security for the day. Trades in the same security for different accounts will be accumulated for a reasonable period of time to allow for aggregation, unless a particular account’s interest would be unduly prejudiced. First Quadrant may, but is not required to, aggregate orders into block trades where First Quadrant believes this is to be appropriate, in the best interests of the client accounts, and consistent with applicable legal requirements. Transactions executed in a block will typically be allocated to the participating client accounts before the close of the business day.

Since more than one account’s orders are included in a block trade, First Quadrant has adopted a policy of generally using a “pro rata allocation” to allocate the trade among each account whose order makes up part of the block. Under a pro rata allocation, as securities are being purchased or sold as part of the block trade, the securities are being allocated to (or away from, in the case of a sale) accounts in the proportion by which each account’s order size (at the time of order entry) makes up a percentage of the entire block. In cases where First Quadrant is unable to fulfill a block trade the same day (i.e., purchase or sell all securities within the block trade), those securities that have been purchased or sold by the end of the day will generally be allocated pursuant to First Quadrant’s pro rata allocation methodology.

First Quadrant believes that, in most instances, a pro rata allocation of block trades will assure fairness. However, we also recognize that no rigid formula will necessarily lead to a fair and reasonable result, and that a degree of flexibility to adjust the formula to accommodate specific circumstances is necessary when determining how to allocate block trades. Therefore, under certain circumstances, allocation of block trades on a basis other than strictly pro rata may occur if we believe that such allocation is fair and reasonable. Nevertheless, all securities purchased or sold through a block trade, including expenses incurred in the transaction, will be allocated on a fair and equitable basis over time, to the extent practicable, without favoring any account or type of account or client (including any proprietary or affiliated account). On a periodic basis, our Investment Research and Compliance personnel monitor the proportional amounts allocated to all portfolios to determine whether such allocations are fair and equitable over time.

The ability of a client account to participate with other accounts in bunched/block transactions may produce better execution for the individual client account. However, in some instances, a client may have designated a specific broker/dealer to whom the client’s trades must be directed. (See the “Directed Brokerage” sub-section above.) This designated broker/dealer may not (or, in some cases, will not) execute bunched or block trades, and even if it does, First Quadrant may not be able to direct the entire block trade to this designated broker/dealer because it would conflict with First Quadrant’s duty to obtain best execution. In such cases, since First Quadrant will typically place the client’s trade with the designated broker/dealer as instructed rather than include the client’s order

in the block trade, the client may not necessarily get the better price and/or level of execution that those clients who participate in the block may receive.

Initial Public Offerings

First Quadrant does not purchase securities in an initial public offering (i.e., a company's first offer of stock for sale to the public) for client accounts or proprietary accounts.

Prime Brokers

Some of First Quadrant's private funds and separate accounts utilize prime brokers for trade clearance. In addition, First Quadrant employs certain FX prime brokers for certain of our private funds. Certain separate account clients may also select these same entities as an FX prime broker or FX counterparty.

Trade Errors and Trade Error Accounts

First Quadrant has established a Trading Errors policy which provides that the resolution of all errors be made consistent with First Quadrant's fiduciary duties to its clients. It is First Quadrant's policy to resolve any error identified in a client account in a manner which ensures that the account is not harmed.

First Quadrant has established a series of controls designed to prevent errors from occurring, as well as minimizing the period of time that lapses before their detection. Examples of First Quadrant's current controls include the portfolio management systems' ability to apply guidelines and restrictions that are account-specific to trade recommendations. Trade recommendations generated by a First Quadrant optimizer are designed to adhere to client investment guidelines and restrictions that are delineated in a client's investment management agreement. Client guidelines are also shared with relevant Firm personnel and any changes to guidelines are reported to appropriate personnel. Post-trade compliance reports, along with any identified exceptions, are periodically reviewed by the CCO, the Portfolio Implementation department and the Risk Office. Additionally, First Quadrant has procedures involved in the recommendation, execution, and settlement of trades, thus providing a system of checks and balances to the Firm's trading system. Please see "Item 13 – Review of Accounts" for a description of controls related to portfolio holdings.

Once a trading error is detected, action is taken to minimize the impact to our client(s) and First Quadrant. The circumstances related to the error (regardless of the dollar amount) are typically communicated to members of senior management to determine further action. Any corrective action is generally approved by the Chief Operating Officer and the CCO. Trade errors, including a description of the error, the resolution, and the authorized signatures, are typically documented in the trade error log as maintained by the CCO.

Item 13 – Review of Accounts

First Quadrant’s Investment Research, Trading, Operations, and Compliance teams are responsible for the regular review of the assets of the accounts under their supervision. The number of reviewers and accounts assigned to each varies depending on the nature of the product or strategy. In addition, certain events may trigger a particular additional review, as described below.

Through First Quadrant’s portfolio management systems, portfolios are typically reviewed on a daily basis by the Investment Research team to determine that they are invested in a manner consistent with First Quadrant’s investment models. Portfolio reviews may also be triggered by numerous factors, including without limitation: changes to investment models; significant market movements; changes in counterparty creditworthiness; receipt of client instructions changing investment objectives or guidelines; and withdrawals from or additions to a portfolio. During these reviews, consideration may be given to, without limitation, compliance with investment guidelines, compliance with applicable laws, rules and regulations, performance, and counterparties’ creditworthiness.

Accounts are also regularly monitored by the Investment Research team to determine if their tracking error deviates to a significant degree from that of the selected investment strategies. To the extent the deviation is deemed significant, Investment Research will research the issue.

First Quadrant also performs reconciliations of its records of the securities and cash within its clients’ accounts against the records of the custodians who actually hold the securities and cash. These reconciliations are performed by First Quadrant’s operations personnel between First Quadrant, the executing broker, and the custodian. Generally, cash positions are reconciled on a daily basis by First Quadrant’s Accounting department. In addition, portfolio margin requirements are typically reconciled on a daily basis. Our Accounting department typically reconciles all positions to the custodian bank and, where applicable, the prime broker at each month end as well. To the extent any discrepancies are identified through the performance of these reconciliations, our operations personnel will generally work with both our internal team and the custodian to resolve any such discrepancies. The statements and records of the custodian are the official books and records for the account.

Compliance performs a quarterly review of allocations of futures and options on futures trades, as required by NFA Compliance Rule 2-10, as well as a review of the allocation of currency and equities trades on a periodic basis to ascertain compliance with our procedures and to determine that the allocation of trades is fair and equitable over time. Compliance also generally reviews post-trade alerts from the portfolio management systems. Please see the “Risk Mitigation” sub-section of “Item 8 – Methods of Analysis,

Investment Strategies, and Risk of Loss” of this Brochure for a description of the use of the portfolio management systems to monitor investment guidelines.

Reporting

Clients receive performance reports from First Quadrant. Performance reports are typically prepared and sent to clients monthly, quarterly and/or annually, depending upon a client's specification. These reports normally include actual performance against objectives, and comments on markets and strategy. Due to the variety of managed accounts, we typically customize these reports to meet each client's individual needs. These reports are generally supplemented by trade confirmations and the other reports on clients' portfolio holdings and transactions provided to clients from their respective custodians and/or broker/dealers, as described above. As noted, the custodian statements reflect the official books and records for the accounts we manage, rather than First Quadrant's statements.

Item 14 – Client Referrals and other Compensation

Relationships with Consultants

Many of our clients and prospective clients retain investment consultants to advise them on the selection and review of investment managers. First Quadrant may have certain accounts that were introduced to First Quadrant through consultants. These consultants or their affiliates may, in the ordinary course of their investment consulting business, recommend First Quadrant's investment advisory services, or otherwise place First Quadrant into searches or other selection processes for a particular client.

First Quadrant has extensive dealings with investment consultants, both in the consultants' role as adviser for their clients and through independent business relationships. Specifically, we provide consultants with information on portfolios we manage for our mutual clients, pursuant to our clients' directions. First Quadrant also provides information on our investment styles to consultants, who use that information in connection with searches they conduct for their clients. First Quadrant may also respond to "Requests for Proposals" from prospective clients in connection with those searches.

Clients obtained from these consultants may instruct First Quadrant to direct some or all of their brokerage transactions to these consultants, which may also be a broker/dealer, or to the particular broker/dealers with whom they have relationships. First Quadrant may also allocate brokerage to such consultants or broker/dealers in the ordinary course of business.

Other interactions that First Quadrant may have with consultants include, but are not limited to, the following:

- First Quadrant may invite consultants to events or other entertainment hosted by First Quadrant.
- First Quadrant may, from time to time, purchase software applications, access to databases, and other products or services from some consultants.
- First Quadrant may pay registration or other fees for the opportunity to participate, along with other investment managers, in consultant-sponsored industry forums or conferences. These conferences or forums provide First Quadrant with the opportunity to discuss a broad variety of business topics with consultants, clients, and prospective clients.
- In some cases, First Quadrant may serve as investment adviser for the proprietary accounts of consultants or their affiliates, or as adviser or sub-advisor for funds offered by consultants and/or their affiliates.
- First Quadrant may trade with consultants who are broker dealers.

In general, First Quadrant relies on each consultant to make appropriate disclosure to its clients of any conflict that the consultant may believe to exist due to its relationship with our firm.

Consulting Databases

First Quadrant may pay consultants or other third parties to include information about First Quadrant's investment approaches in databases that they maintain to describe the services provided by investment managers to prospective clients.

Relationships with Solicitors

First Quadrant is not a party to any agreements with unaffiliated third party solicitors.

First Quadrant is a party to agreements with certain affiliates pursuant to which First Quadrant pays the affiliate a fee for services rendered to First Quadrant to support First Quadrant's provision of investment advisory services to clients.

Please see "Item 10 – Other Financial Industry Activities and Affiliations" for additional details about these arrangements.

Compensation from Third Parties

First Quadrant does not receive any monetary compensation from non-clients for First Quadrant's provision of investment advisory services to clients.

Item 15 – Custody

All clients must have a custodial relationship with respect to their funds and securities with a qualified custodian as a prerequisite to First Quadrant’s management of their assets. First Quadrant does not act as a custodian over the assets in the accounts we manage for our clients (except as deemed a “custodian” by applicable law, as discussed below). Clients must make their own arrangements for custody of securities in their accounts. Such custodians may be broker/dealers, banks, trust companies, or other qualified institutions.

While many brokers designated by our clients provide custodial service to those clients (often as part of an array of services obtained by such clients from their directed brokers in addition to execution, confirmation, and clearance and settlement services), brokers selected by First Quadrant when First Quadrant is given discretion to choose a broker for a client generally do not provide such services to the client at the commission rates negotiated by First Quadrant. Clients who grant brokerage discretion to First Quadrant, therefore, must make independent arrangements for custodial services.

The qualified custodian will typically provide the client with at least quarterly account statements relating to the assets held within the account managed by First Quadrant. Each client should carefully review the qualified custodian’s statement upon receipt to determine that it completely and accurately states all holdings in the client’s account and all account activity over the relevant period. Any discrepancies identified by a client should be immediately reported to First Quadrant and the qualified custodian.

In addition to the account statements provided by qualified custodians to our clients, First Quadrant may also provide performance reports to certain clients on generally a monthly, quarterly, or annual basis, depending on the client’s specification. We encourage those clients to compare the reports provided to them by First Quadrant against those provided to them by the qualified custodians who hold the assets of their accounts, and to report any questions, concerns, or discrepancies to both First Quadrant and the qualified custodian promptly. Such questions, concerns, or discrepancies may be communicated to First Quadrant by writing, e-mailing, or telephoning us using the contact information found on the cover page of this Brochure.

Our statements may vary from custodial statements based on accounting procedures, reporting dates, and/or valuation methodologies of certain securities. However, please note that custodian statements reflect the official books and records for the accounts we manage.

First Quadrant is deemed, under the federal securities laws, to have custody of client assets by virtue of its role as general partner of the limited partnerships and sponsor of the pooled vehicles discussed in “Item 5 – Fees and Compensation” of this Brochure. First



Quadrant does not have actual physical custody of any client assets or securities invested in such funds; rather, all such assets are held in the name of each of the applicable funds by an independent qualified custodian, which may include futures clearing merchants or prime brokers. Such funds holding client assets are audited annually, and investors receive annual financial statements, as required by applicable law.

Item 16 – Investment Discretion

First Quadrant is typically granted discretionary authority by a client at the outset of an advisory relationship to determine the identity and amount of securities to be bought or sold. However, such discretion is exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts of securities for purchase or sale, First Quadrant observes the investment policies, limitations, and restrictions that are set forth by our clients. For example, some clients restrict the percentage of a stock relative to portfolio size or percentage of a particular issuer, industry or sector based on portfolio size. Any investment guidelines and restrictions, including amendments, must be provided to First Quadrant by our clients in writing. A client will grant First Quadrant discretionary authority by executing an investment management agreement and/or a separate power of attorney, which includes, among other items, a statement giving First Quadrant authority to invest the assets identified by the client in a manner consistent with the investment objectives and limitations delineated by the client, and to engage in transactions on a discretionary basis in the client account.

As noted in “Item 4 – Advisory Business,” First Quadrant provides advice for a various types clients. First Quadrant may advise some clients or take actions for them that differ from recommendations or actions taken for other clients. First Quadrant is not obligated to recommend to any or all clients any investments that it may recommend to, or purchase or sell for, certain other clients.

In addition to the discretionary asset management services that First Quadrant provides to its clients, the Firm also provides non-discretionary asset management services in certain cases.

Please see “Item 4 – Advisory Business” of this Brochure for additional information.

Generally, First Quadrant does not commit to act in any capacity on its clients’ behalf with respect to class actions and similar matters. While First Quadrant is not obligated to take any legal action with regard to class action suits relating to securities purchased by First Quadrant for its clients, First Quadrant may provide the client or the client’s legal counsel with information that it believes may be needed.

Item 17 – Voting Client Securities

Since client accounts may hold stocks or other securities with voting rights, our clients often have the right to cast votes at the corporate issuers' shareholder meetings. However, since shareholders often do not attend shareholder meetings, they have the right to cast their votes by "proxy." In such cases, First Quadrant's clients will either retain proxy voting authority or delegate it to First Quadrant. If a client has delegated such authority to First Quadrant (whether in the client's investment management agreement with First Quadrant or otherwise), First Quadrant will vote proxies for that client. If a particular client for whom First Quadrant has investment discretion has not explicitly delegated proxy voting authority to First Quadrant, First Quadrant will not vote such client's proxies, and the client will retain the voting authority for its account. In such a case, the client will receive proxy solicitations from the custodian, and the client may contact First Quadrant with any questions about a particular solicitation at the contact information below.

Where clients have delegated proxy voting authority to First Quadrant, as an investment adviser and fiduciary of client assets, First Quadrant has implemented proxy voting policies and procedures intended to protect the value of shareholder investments and designed to reasonably ensure that First Quadrant votes proxies in the best interest of clients. In voting proxies, we seek to both maximize the long-term value of our clients' assets and to cast votes that we believe to be fair and in the best interest of the affected client(s).

First Quadrant's Investment Research group also monitors corporate actions, ensuring notifications from custodians and/or information from Bloomberg or other electronic surveillance systems is recorded in our portfolio management and accounting systems.

Voting Agent

First Quadrant has contracted with an independent third-party provider of proxy voting and corporate governance services (the "proxy voting agent") which specializes in providing a variety of services related to proxy voting. The proxy voting agent has been retained to act as agent for the proxy process, conduct proxy research, execute proxy votes, and keep various records necessary for tracking proxy voting materials and proxy voting actions taken for the appropriate client account. In addition, the proxy voting agent provides independent research on corporate governance, proxy, and corporate responsibility issues.

First Quadrant has adopted the proxy voting agent's proxy voting policy guidelines as its own and, as such, the proxy voting agent votes First Quadrant's clients' proxies (for those client accounts over which it has proxy voting authority) according to those policy guidelines. First Quadrant maintains a Proxy Committee (the "Committee"), made up of senior members of management, which is responsible for deciding what is in the best

interests of each client when deciding how proxies are voted. The Committee meets at least annually to review, approve, and adopt the proxy voting agent's proxy voting guidelines. Any changes to the proxy voting agent's voting guidelines must be reviewed, approved, and adopted by the Committee at the time the changes occur.

When a new portfolio is opened and First Quadrant is responsible for voting proxies, a letter is sent to the custodian informing them that the proxy voting agent will act as First Quadrant's proxy voting agent and advising them to forward all proxy material pertaining to the portfolio to the proxy voting agent for execution. Additionally, on a monthly basis, First Quadrant provides the proxy voting agent with a list of the portfolios for which First Quadrant holds voting authority.

With respect to the proxy voting process, First Quadrant's Client Services Department is responsible for: setting up new portfolios; determining which portfolios First Quadrant has proxy voting responsibilities; ensuring the custodians and the proxy voting agent are appropriately notified; receiving and forwarding to the Committee, and ultimately the proxy voting agent, any direction received from a client to vote a proxy in a specific manner; and maintaining client documentation and any communications received by First Quadrant related to proxy voting, including records of all communications received from clients requesting information on how their proxies were voted and First Quadrant's responses.

As First Quadrant retains ultimate responsibility for proxies voted by the proxy voting agent, First Quadrant will monitor the proxy voting agent's proxy voting to ensure it is completed in accordance with the proxy voting guidelines adopted by First Quadrant. This monitoring may be accomplished through discussions with the proxy voting agent, reports, reviews, or a combination of these approaches.

If a client has delegated proxy voting authority to First Quadrant, but would nevertheless like to direct our vote on a particular proxy solicitation, the client may indicate the same in a written statement directed to First Quadrant, and the Committee will vote the proxy. Any such written direction should be sent to the contact information set forth on the cover page of this Brochure.

Conflicts of Interest

As noted above, First Quadrant has an agreement with an independent proxy agent, and has adopted the proxy voting agent's proxy voting policy guidelines (the "Policies"). The adoption of the Policies, which provide pre-determined guidelines for voting proxies, was designed to remove any potential conflicts of interest First Quadrant may have that could affect the outcome of a vote. By adopting the Policies, First Quadrant has essentially removed discretion that First Quadrant would have otherwise had to determine how to vote proxies in cases where First Quadrant may have a material conflict of interest.

Notwithstanding the appointment of the proxy agent, there may be some instances where First Quadrant votes proxies. Specifically, there may be a situation where the proxy agent itself may have a material conflict of interest with respect to a proxy vote that it is voting on First Quadrant's clients' behalf. In those situations, the proxy agent is obligated to fully or partially abstain from voting the proxy, and First Quadrant's Proxy Committee will provide the voting recommendation after a review of the vote(s) involved. First Quadrant's Proxy Committee must approve any decision made on such vote prior to the vote being cast. First Quadrant's CCO will also become involved in other situations, though expected to be rare, where First Quadrant determines to remove voting discretion from the proxy agent. In both of the preceding circumstances, First Quadrant will work to ensure that prior to a vote being made, conflicts of interest are identified and material conflicts are properly addressed such that the proxy may be voted in the best interest of clients. The Committee will monitor any situation where First Quadrant has any discretion to vote.

If you would like a copy of First Quadrant's Proxy Policy, if you would like to review how First Quadrant voted on a particular security in your account, or if you would like further information on the proxy agent's proxy voting policy guidelines, please contact First Quadrant using the contact information set forth on the cover page of this Brochure.

Item 18 – Financial Information

First Quadrant has no financial condition that impairs our ability to meet our contractual and fiduciary commitments to our clients, and First Quadrant has not been the subject of a bankruptcy proceeding.

Addendum – Privacy Notice

IMPORTANT INFORMATION ABOUT PRIVACY AND CERTAIN INFORMATION SHARING

In compliance with SEC regulations, we are pleased to provide you with our privacy policy. At First Quadrant, we appreciate the trust our clients place in us and we recognize the importance of protecting the confidentiality of non-public personal information that we collect about them. Keeping this information confidential and secure is a top priority. The following guidelines are designed to help you understand how we gather, use, and protect your personal and financial information.

First Quadrant collects and maintains non-public personal information to enable us to provide investment management services to our clients. The types and sources of information that we collect include:

- Information obtained from agreements, applications, account opening forms, questionnaires, or other documents and correspondence, such as name, address, phone number, assets, and income;
- Information we generate, such as portfolio appraisals and trade tickets; and
- Information provided to us by authorized parties acting on behalf of our clients, such as accountants, attorneys, or investment consultants.

We do not disclose non-public personal information about our current, prospective, or former clients, except as required or permitted by law. The types of information that may be shared include:

- Information to companies that is necessary in order to service client accounts, such as providing account and trade information to brokers and custodians;
- Information that we generate, such as portfolio appraisals, to authorized persons;
- Information that is necessary for non-affiliated companies, including third-party service providers, such as accounting firms, to perform services for First Quadrant and its clients; and
- Data that we provide to certain affiliates, who use the information only for internal reporting, record-keeping, and other legitimate business purposes.

We maintain firm-wide physical, electronic, and procedural safeguards designed to comply with federal standards to protect our clients' non-public personal information.

- Access to electronic client information is limited by electronic safeguards, such as passwords for access to our networks, data, and programs;
- Records are kept in First Quadrant's office or stored by a records management firm;



- Third parties who do work on our behalf are specifically instructed that client information must remain confidential; and
- All safeguards apply to non-public personal information of current and former clients.

For questions concerning our Privacy Policy, please contact please contact First Quadrant using the contact information set forth on the cover page of this Brochure.