

# **Our Business and Practices**



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This brochure provides information about the qualifications and business practices of AIG Asset Management (U.S.), LLC. If you have any questions about the contents of this brochure, please contact Joseph Guarino, Chief Compliance Officer, at (212)770-9044 and/or [Joseph.Guarino@aig.com](mailto:Joseph.Guarino@aig.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about AIG Asset Management (U.S.), LLC ("AMG" or the "Adviser") is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration does not imply a certain level of skill or experience.

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## Advisory Business

AIG Asset Management (U.S.), LLC (“AMG” or the “Adviser”) is dedicated to providing investment advisory and asset management services to American International Group, Inc. (“AIG”) and its affiliates including SunAmerica Financial Group and Chartis (each an “AIG Client”). AMG does not provide investment advisory services to unaffiliated clients other than in connection with the Global Real Estate business as described below. Headquartered in New York, AMG became registered as an investment adviser on May 13, 2009.

AMG is a wholly owned, indirect subsidiary of AIG, a publicly traded company: AIG owns 100% of AIG Capital Corporation, which owns 100% of AIG Global Asset Management Holdings Corp. (“AIGGAMHC”), the parent of the Adviser. The U.S. Department of the Treasury (the “Treasury Department”) holds a majority of the common stock of AIG<sup>1</sup>.

The Adviser’s in-house investment platform spans multiple asset classes including high grade and high yield corporate and sovereign debt, structured products, municipal bonds, private debt and global real estate. Managed accounts are predominantly in high quality fixed income comprised of highly rated investment grade corporate bonds. AMG is also the investment adviser to the AIG Money Market Fund (the “Fund”). The Fund’s primary objective is the preservation of capital and maintaining a high degree of liquidity.

AMG, through its Global Real Estate (“GRE”) business, is also the investment adviser to several private investment funds structured as limited partnerships (the “GRE Funds”) and one German public investment company (AIRE GmbH & Co., KgaA (“AIRE”). AIRE and the GRE Funds are collectively referred to herein as the “Unaffiliated Clients”, and together with the AIG Clients are collectively referred to herein as the “Clients”.

Client portfolios are managed pursuant to an investment management agreement between AMG and the Client,

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<sup>1</sup>Nothing herein shall be construed as an acknowledgement or representation that any provision of the Advisers Act or rules or forms thereunder (including this Form ADV), or any other statute or regulation applies to or includes the Treasury Department, the U.S. Treasury or any officer, agent or employee thereof in any respect, or that the Treasury Department or the U.S. Treasury controls [AMG].

any investment guidelines attached thereto, the Client’s investment policy, and applicable regulations. The scope of advisory services may be changed from time to time as AMG and the Client may agree or pursuant to the Client’s instructions, as the case may be.

AMG directly managed \$283.8 billion of assets and indirectly managed \$29.1 billion of assets through the use of unaffiliated investment advisers for its Clients as of December 31, 2011.

## Fees and Compensation

### Institutional Clients

Generally, AMG’s investment advisory fees for AIG Client assets directly managed by AMG are based upon a percentage of the total assets managed. The percentages upon which annual basic fees are based may vary, according to the size of the investment mandate, the AIG Client’s investment objectives, the extent of the services desired, the types of assets to be managed and various competitive factors.

The fees associated with direct management of the AIG Client accounts are commonly paid directly by the general account on a quarterly basis. General account fees typically range from 0.0825% to 0.15% of assets under management.

In addition, in conjunction with AMG’s Manager of Managers activities described further in Item 10, AMG charges fees for overseeing AIG Client assets not directly managed by AMG, including assets managed by third party managers (“Designated Managers”). Fees for overseeing Designated Managers are based upon a percentage of the total assets managed by such Designated Managers, and range from 1 to 2% of assets under management, depending on whether the Designated Manager is an affiliate of AMG.

In general, fee structures may be modified for any reason, such as where a new account is expected to grow rapidly, where a relationship already exists with a current AIG Client or where the AIG Client retains AMG to provide services with respect to multiple investment mandates.

The differing levels of basic fees among AIG Client categories take into account such factors as the degree of investment management activity and supervision required, the nature of the discretionary or non-discretionary service provided and the types of investment guidelines and restrictions imposed upon the management of the accounts.

In addition to the foregoing, there may be specialized investment strategies with individualized fee arrangements in place as well as historical fee schedules with long-standing AIG Clients that may differ from those applicable to new AIG Client relationships.

Clients are subject to other fees and expenses in connection with AMG's advisory services, including fees for external advisors, custodian fees and legal fees. Furthermore, AIG Clients will incur brokerage costs, including brokerage commissions that are deducted from each trade upon settlement, and other transaction costs which are generally disclosed and agreed upon by AIG Clients in their respective investment management agreements. See Item 12 for more detail regarding AMG's practices with respect to brokerage.

Generally, AMG bills AIG Clients for advisory fees incurred via invoice. AMG's fees are billed quarterly or monthly, either (i) in arrears based on the average asset balance of the portfolio or (ii) in advance based on the asset balance of the managed portfolio on the last day of the previous period.

In the event that any advisory agreement provides for a fee to be payable to AMG in advance, a pro-rata refund will be made in the event of early cancellation by either AMG or the AIG Client. AIG Clients are generally permitted to terminate contracts with AMG upon written notice pursuant to the terms of an advisory agreement, provided AMG received such notice in a reasonable time (typically ninety days) prior to the effective date of such termination.

**GRE Funds**

Management fees for GRE investment funds generally are based upon a percentage of a fund's aggregate committed capital or the aggregate invested capital. Other fees may also be based upon the performance of the investment, or any other factors that may be negotiated in advance with the fund. Management fees

are paid semi-annually in advance. Generally, a limited partner may not sell, assign, or transfer any interest in a fund without the written consent of the general partner. These limitations on the transfer of interests and withdrawals are disclosed in the offering documents for each fund.

Affiliates of AMG act as the general partners of these private investment funds and each general partner may also receive a "carried" interest entitling it to certain percentage of the realized profits subject to a preferred return to limited partners. This carried interest is based upon realized gains and received income only and is payable as portfolio holdings are liquidated, subject, in some cases, to a reserve or clawback arrangement to account for possible or actual losses incurred on holdings subsequently sold.

**Public Investment Clients**

AMG, through its GRE business, acts as an advisor to one German public investment company, AIRE. Advisory fees are charged to AIRE quarterly in arrears equal to 0.25% of the net asset value ("NAV") of AIRE on the last day of each calendar quarter. In addition, AIRE is charged a "performance fee" equal to 20% of the amount of which AIRE's NAV for the quarter exceeds the "reference net asset value" of AIRE. The "reference net asset value" is the highest net asset value of AIRE at the end of all preceding quarters plus 3% per year. AIRE currently is not paying any performance fees.

**Performance-Based Fees and Side-By-Side Management**

The GRE Funds are the only investments in which AMG may receive a carried interest. The carried interest is based upon realized gains and received income only and is payable as portfolio holdings are liquidated, subject, in some cases, to a reserve or clawback arrangement to account for possible or actual losses incurred on holdings subsequently sold. Other than calling previously committed capital, however, AMG is not investing any "new" Client assets into the current GRE Funds and does not have any future plan to offer any new GRE Funds.

AIRE, the German public investment company, is charged a "performance fee" equal to 20% of the amount of which AIRE's NAV for the quarter exceeds the "reference

net asset value” of AIRE. The “reference net asset value” is the highest net asset value of AIRE at the end of all preceding quarters plus 3% per year. AIRE discontinued new investment activity as of October 2008. AIRE currently is not paying any performance fees. GRE only invests in real estate assets and has an allocation policy and procedures to avoid side-by-side management conflicts.

Types of Clients

As AIG’s in-house investment adviser, AMG serves institutional Clients such as AIG affiliate insurance companies, U.S. registered investment companies, pooled investment vehicles, and trusts, the majority of which are either affiliated with AIG or sponsored by AIG affiliates. There are no minimum requirements for opening or maintaining an account.

Methods of Analysis, Investment Strategies and Risk of Loss

AMG utilizes asset liability management (“ALM”) to ensure that portfolio holdings are consistent with liabilities. The ALM process involves an evaluation of liabilities’ characteristics (e.g., duration, crediting rates, etc.) and matching assets with adequate income within risk constraints. AMG also uses fundamental, technical and cyclical security analysis methods.

Additionally, AMG may employ the following investment strategies in formulating investment advice: long- term purchases (securities held at least a year); margin transactions; short-term purchases (securities sold within a year); option writing (including covered options, uncovered options or spreading strategies); and trading (securities sold within 30 days). AMG may also use futures and forward contracts to implement its investment advice. AMG may apply quantitative strategies to its selection of securities and construction of portfolios.

An mentioned, AMG’s advisory business spans multiple asset classes including high grade and high yield corporate and sovereign debt, structured products, municipal bonds, private debt and global real estate. Managed accounts are predominantly invested in high quality

fixed income comprised of highly rated investment grade corporate bonds. Such high-grade fixed income investments may present less risk than certain other investment strategies; however, within the universe of fixed income investments, risks vary depending on the creditworthiness of the issuer, prevailing interest rates, the nature and value of any collateral, the desirability of fixed income instruments as investments and other factors specific to the securities involved.

The following risk may apply to the Adviser’s investments on behalf of Clients.

**Fixed-Income Investments Generally:** The value of fixed-income securities will change as the general levels of volatility in the marketplace and interest rates fluctuate. When interest rates decline, the value of fixed-income securities can be expected to rise. Conversely, when interest rates rise, the value of such securities can be expected to decline. Investments in lower rated or unrated fixed-income securities, while generally providing greater opportunity for gain and income than investments in higher rated securities, usually entail greater risk.

**High Yield Securities:** The Adviser may invest on behalf of Clients in “high yield” bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominately speculative with respect to the issuer’s capacity to pay interest and repay principal. In addition because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those of higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold.

**Residential Mortgage Backed Securities (“RMBS”):** RMBS are subject to particular risks because they have yield and maturity characteristics corresponding to their underlying assets. Unlike traditional debt securities, which may pay a fixed rate of interest until maturity when the entire principal amount comes due, payments on certain RMBS include both interest and a partial payment of



principal. This partial payment of principal may be comprised of a scheduled principal payment, as well as an unscheduled payment from the voluntary prepayment, refinancing, or foreclosure of the underlying assets. As a result of these unscheduled payments of principal, or prepayments on the underlying assets, the price and yield of RMBS can be adversely affected. For example, during periods of declining interest rates, prepayments can be expected to accelerate, the Adviser would be required to reinvest the proceeds at the lower interest rates then available. Prepayments of mortgages that underlie securities purchased at a premium could result in capital losses because the premium may not have been fully amortized at the time the obligation is prepaid. In addition, like other interest-bearing securities, the values of RMBS generally fall when interest rates rise, but when interest rates fall, their potential for capital appreciation is limited due to the existence of the prepayment feature.

**Commercial Mortgage Backed Securities (“CMBS”):** CMBS are securities backed by obligations (including certificates of participation in obligations) that are principally secured by interests in real property having a multifamily or commercial use, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, nursing homes and senior living centers. CMBS are issued in public and private transactions by a variety of public and private issuers using a variety of structures, including senior and subordinated classes. CMBS generally lack standardized terms, tend to have shorter maturities than RMBS and may provide for the repayment of all or substantially all of the principal only at maturity. All of these factors increase the risk involved with commercial real estate lending. Commercial properties tend to be unique and are more difficult to value than single-family residential properties. Commercial lending is generally viewed as exposing a lender to a greater risk of loss than residential lending since it typically involves larger loans to a single borrower than residential lending on smaller properties.

**Sovereign Debt:** Investments in sovereign debt securities involve special risks. The governmental authority that controls the repayment of the debt may be unwilling or unable to repay the principal and/or interest when due, depending on the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, or the government debtor’s policy towards the International Monetary Adviser and

the political constraints to which a government debtor may be subject. If an issuer of sovereign debt defaults on payments of principal and/or interest, the Adviser may have limited legal recourse against the issuer and/or guarantor. In certain cases, remedies must be pursued in the courts of the defaulting party itself, and a debt holder’s ability to obtain recourse may be limited.

**Municipal Securities:** It is anticipated that most of the Adviser’s municipal securities investments will consist of general obligations for which the taxing power of the issuer is the source of repayment and pre-refunded municipal obligations and certain essential purpose obligation bonds. Revenue or essential purpose obligation bonds are not direct obligations of any government and the payment of such obligations is generally dependent on the collection of anticipated revenues from a particular facility or special excise tax. In the event that special revenues backing such obligations are not received, the Adviser will have no recourse against the issuer or any other party for repayment of such obligations. In the case of general obligations, there is the risk that an issuer of such obligations could become insolvent and default on the obligations. In such case, the Adviser would be a creditor of the issuer and would likely not receive full payment of principal and interest on the obligations. The municipal securities markets are fragmented to a significantly greater degree than markets for taxable securities. This fragmentation can lead to aberrational pricing as well as periods of illiquidity and affect the value and yield of municipal securities.

**Real Estate Funds:** Investment in the GRE Funds entails a high degree of risk and is suitable only for sophisticated investors who fully understand and are capable of bearing the risks, including the risk of total loss of capital. An investment in the GRE Funds requires a long-term commitment, with no certainty of return. The GRE Funds’ targeted returns are merely a goal and there can be no assurance that the targeted returns can be achieved. Interests in the GRE Funds (the “Interests”) are subject to restrictions on transfer. The Interests have not been and will not be registered under the United States Securities Act of 1933, the securities laws of any state or the securities laws of any other jurisdiction. It is anticipated that the offering and sale of the Interests will be exempt from registration in the United States pursuant to Regulation D promulgated under the Securities Act. Following the offering, there will be no public market for the Interests and none is expected to develop. The investments by

the GRE Funds will be subject to, directly or indirectly, the risks inherent in the ownership and operation or real estate and real estate-related assets. Complete risk disclosures for each real estate fund are contained in the fund’s offering documents. Copies of the offering documents are provided to all eligible investors prior to investing in the fund.

**Disciplinary Information**

There are no legal or disciplinary events that are material to a Client’s or prospective Client’s evaluation of AMG’s advisory business or the integrity of its management.

**Other Financial Industry Activities and Affiliations**

As the in-house asset manager for AIG, AMG manages the insurance assets (funds available for investments) of various AIG-owned insurance companies.

There is an application pending with FINRA to register AIG Asset Management Brokerage Services, LLC, a broker-dealer that is an affiliate of the Adviser. Certain management persons employed by the Adviser may become registered representatives of this affiliated broker-dealer.

AMG is the investment adviser to the AIG Money Market Fund. As such, AMG is subject to restrictions with respect to purchasing shares of affiliated registered funds for Client portfolios. AMG may use its discretionary authority to cause Clients to invest excess cash balances in affiliated money market funds or sweep vehicles. In connection with these investments, Clients may be charged management fees in addition to those defined in their investment management agreements. Clients may pay 0.29% Total Annual Fund Operating Expenses if they buy and hold Class A Shares of the AIG Money Market Fund.

AMG’s Manager of Managers function is responsible for monitoring funds allocated to third-party managers. Manager of Managers, with AMG’s Investment Committee, coordinates the manager selection process and performs operational due diligence of investment funds considered for the portfolios.

**Affiliate Transactions**

AMG may recommend to its Clients GRE Funds in which an affiliate is a general partner. An AMG affiliate typically invests alongside its investors, through limited partnerships and limited liability companies in which the affiliate is the general partner or managing member as the case may be. In addition, from time to time, the general partner or certain other affiliates may provide services such as asset management, property management, advisory, development, acquisition and debt arrangement services to the fund or an entity or asset owned by the fund. Arrangements of this nature are disclosed to potential investors in the offering documents for each fund. Further, the agreements governing these funds may require approval of these types of arrangements by an Advisory Committee, which is comprised of investors who are not affiliated with AMG or other AMG affiliates. The conflicts of interest which may arise from these arrangements are disclosed to potential investors in the offering documents for each fund.

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

AMG conducts its activities in such a manner as to deal fairly with each of its Clients on an overall basis in accordance with applicable securities laws and fiduciary considerations. It is possible that AMG and/or AMG affiliates may sell securities of companies in which a related person of AMG has a direct or indirect interest or other financial interest not otherwise known to AMG. In addition, AMG may, from time-to-time, recommend to its Clients that are affiliated with or sponsored by affiliates of AIG, funds for which AMG or other AIG affiliates act as an investment adviser. In such instances, AMG shall disclose to such Client (by providing the Client with a copy of the current offering materials relating to such fund) the nature of AMG’s (or its affiliate’s) relationship with such fund and the fee which AMG or such affiliate will receive as a result of such Client’s subscription to such fund.

AMG may recommend the same investments to AIG Clients and Unaffiliated Clients. In cases where the same portfolio manager will render advice to both affiliated and unaffiliated accounts, transactions will be completed in a fair and equitable manner and in compliance with written policies and applicable law. See “Brokerage



Practices” below for a description of AMG’s trade allocation policies and procedures.

AMG’s Code of Ethics is available to Clients or prospective Clients upon request.

As part of its GRE business, AMG may offer investments to the GRE Funds. The management board of AIRE and, of the advisory boards of the GRE Funds, are required to separately review and approve such “related party” transactions.

AMG has adopted a Code of Ethics designed to detect and prevent conflicts of interest. Specifically, the Code of Ethics prohibits employees from knowingly transacting for their personal benefit in securities that are being purchased or sold, or that are being considered for purchase or sale, by the Adviser for Client portfolios. This restriction, known as the black-out period, is effective for seven days before and seven days after the Adviser’s transaction. The Code of Ethics also requires employees of AMG to pre-clear and report their personal securities transactions. All personal trading activities and reporting are monitored by AMG Compliance personnel. A copy of the Code of Ethics may be obtained free of charge from Joseph Guarino, Chief Compliance Officer.

**Brokerage Practices**

AMG has discretion over the selection of brokers with whom Client orders for the purchase or sale of securities are placed for execution and the price per share and the commission rates at which securities transactions are affected. AMG maintains an approved list of broker-dealers. All portfolio transactions are executed through broker-dealers who are unaffiliated with AMG. In selecting a broker-dealer for each specific transaction, AMG will use its best judgment to choose the broker-dealer most capable of providing the brokerage services necessary to obtain the best execution. AMG need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost.

AMG may place orders for the execution of transactions with or through such brokers, dealers or banks as AMG may select in its sole and absolute discretion, and may, consistent with its duty to seek best execution and in compliance with applicable securities laws, including

Section 28(e) of the Securities Exchange Act of 1934, as amended, pay a commission on transactions which may be greater than the amount of the commission another broker or dealer might have charged, provided that AMG determines in good faith that such amount of commission was reasonable in relation to the value of the brokerage and research services provided viewed in terms of either that particular transaction or the overall responsibilities with respect to all the accounts as to which investment discretion was exercised. Subject to the foregoing, the Client acknowledges that such research services rendered may be used in providing services to Clients other than the Client, and that such information will not necessarily be used by AMG in connection with rendering services to the Client.

In executing Client transactions, AMG will take into consideration:

- a) the coverage provided by the broker-dealer of specific regions, industries, sectors or companies;
- b) the reputation and standing of its analysts;
- c) its investment strategies;
- d) timing;
- e) accuracy of statistical information; and
- f) the value of internal or third-party research supplied by the broker-dealer.

To the extent permitted by law, AMG bunches or aggregates orders for Client accounts. AMG uses diligent efforts in adherence with its policy to allocate investment opportunities fairly and equitably among its Clients when there is a limited supply of a security.

When a transaction is deemed suitable for more than one Client, AMG may consider a variety of factors in making the allocation decision, including but not limited to the Client’s investment objectives, investment policies, risk tolerance, regulatory and/or compliance restrictions, investment horizon, available or foreseeable cash (and liquidity requirements), tax position, tolerance for portfolio turnover, account “ramp-up” issues, and other factors.

When aggregating orders, AMG seeks to ensure that

no participating Client is favored over any other Client. Allocations among participating Clients in an aggregated order will be made based upon relevant factors such as investment needs, portfolio styles, and existing holdings of Clients. AMG may or may not purchase or sell the same security for all Clients that could buy the security under the account's objective, depending on various factors, including but not limited to, the size of the accounts, cash availability in each account and each account's investment restrictions and investment strategies. All portfolios participating in a bunched trade must receive/pay the same price and must share in the aggregate transaction costs relating to the bunch trade, ratably in accordance with their respective allocations.

**Review of Accounts**

AMG's Investment Committee ("IC") convenes at least quarterly, to oversee implementation of the investment strategy for Client portfolios. The AMG IC monitors the progress of financial goals and objectives and discusses tactical asset allocation for its Clients. It also reviews portfolio performance within and across asset classes. The IC may approve investments based upon regulatory requirements, safety of principal, liquidity, duration, tax factors, income considerations and risk analysis.

Separately, GRE's real estate investment committee ("REIC") convenes weekly to discuss all developments relating to GRE's investment portfolios and to review and/or approve investment transactions contemplated by its portfolio teams. The REIC is required to approve all capital decisions of GRE on behalf of any of its Clients.

In the context of AIRE, REIC makes formal recommendations on acquisitions, holding strategies and dispositions relating to AIRE's investments and funds. The REIC does not make direct decisions on behalf of AIRE. The decision as to whether AIRE will invest or dispose of its investment is ultimately made by the management board of AIRE's general partner, with additional oversight provided by the AIRE Supervisory Board.

Monthly and quarterly reports are provided to the sub-advisor of the AIG Money Market Fund regarding holdings and transaction information for the period.

**Client Referrals and Other Compensation**

AMG and/or affiliates may take fees from third parties for services provided by AMG and/or its affiliates to such third parties relating to a transaction, in which an advisory Client has participated, or a security or portfolio of securities in which the advisory Client is invested, in all cases except as otherwise limited by applicable law. In addition, AMG or an affiliate may serve as general partner or investment manager for limited partnerships and other pooled investment vehicles (collectively, funds) that invest in such companies, and may, when it believes that it is suitable and appropriate for a Client, advise the Client to invest in (or, in cases where it has investment discretion, invest the Client in) such funds that in turn invest in the companies from which it would receive remuneration. To offset the benefit of such remuneration to AMG or an affiliate, in certain instances a portion of the management fee charged with respect to such funds may be offset by an amount equal to or less than the amount of the remuneration received by AMG and its affiliates. There may be a risk that AMG or such affiliate would have a financial incentive to invest Client assets, directly or indirectly, in companies from which it receives remuneration.

**Custody**

GRE has custody of Client funds. The GRE Funds are audited at least annually and audited financial statements prepared in accordance with GAAP by a PCAOB registered accounting firm are distributed within 120 days of the vehicle's fiscal year end.

**Investment Discretion**

In the investment advisory agreement, a Client appoints AMG as the Client's agent and attorney-in-fact and grants AMG full discretion over the Client's account. AMG's authorization is limited by applicable law and a Client's investment guidelines or objectives or instructions otherwise provided to AMG.

**Voting Client Securities**

AMG is predominantly a fixed income manager and

rarely has to vote securities. AMG has established a Proxy Committee (the “Committee”) comprised of Portfolio Management, Operations, Legal, and Compliance personnel. Generally, the Committee meets on an annual basis during the fourth quarter to review current shareholder issues and proxy voting activity for the year. In the case of a material conflict between the interests of AMG and those of its Clients with respect to proxy voting, AMG will resolve all conflicts in the best interests of its Clients.

Requests for votes are received rarely if ever in the case of fixed income securities. In the event of a default or restructuring that necessitates a vote, AMG would take direction from its Clients on how to vote. Clients may obtain a copy of AMG’s proxy voting policies and procedures upon request.

**Financial Information**

AMG has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients.

