

The logo for Standard Life Investments. The words "Standard Life" are in a bold, dark blue sans-serif font, and "Investments" is in a lighter blue sans-serif font below it. A small grey triangle points upwards to the right, positioned above the end of the word "Investments".

# Standard Life Investments

**Standard Life Investments (Corporate Funds) Limited  
1 George Street  
Edinburgh, Scotland EH2 2LL  
Telephone: 617-720-7900**

**Form ADV Part 2A  
March 31, 2013**

**Item #1: Cover Page**

**Important Note:**

**This brochure provides information about the qualifications and business practices of Standard Life Investments (Corporate Funds) Limited ("SLI(CF)"). If you have questions about the contents of this brochure, please contact us at 617-720-7900. The information contained in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or any state securities authority.**

**Being a "registered investment adviser" or describing ourselves as "registered" does not imply a certain level of training or skill.**

**This brochure is not an offer to subscribe for or purchase any securities.**

**Additional information about SLI(CF) is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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**Item #2: Statement of Material Changes**

Private Funds: In 2013 we have adopted the approach to only include those private funds which are offered in the U.S. or are domiciled in the U.S. within the Form ADV Part 2A.

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**Item #4: Advisory Business**

**4A. Advisory Business**

SLI(CF) (herein also "our", or "we") provides discretionary investment management services to our clients. We intend to act as an "Investment Manager" (as defined in Section 3(38) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA")) with respect to certain clients.

SLI(CF) was formed in June 1988 and has been registered with the SEC as an investment adviser since May of 2009.

We are wholly owned by Standard Life Investments Limited ("SLIL"), which is ultimately 100% owned by Standard Life Group plc ("SL Group"), a publicly traded insurance and financial service firm based in Edinburgh, Scotland (LSE: SL). SL Group and all its affiliates may collectively be referred to herein as "SLI."

**4B. Advisory Services**

SLI(CF) offers discretionary investment advisory services primarily to institutional investors in the form of private funds, registered mutual funds and separate accounts.

*Private Funds*

SLI(CF) manages two private funds, both of which invest in the Standard Life Investments Global Absolute Return Strategies Fund ("SLI GARS"). As private funds, these are not registered or require to be registered under the Investment Company Act of 1940, and any offer or sale of interest in these private funds is made pursuant to an exemption from registration under the Securities Act of 1933.

*U.S. Registered Investment Companies*

SLI(CF) currently provides sub-advisory services for two investment companies registered under the Investment Company Act of 1940. These registered mutual funds both invest in SLI GARS.

*Other Clients*

SLI(CF) will market its advisory services to U.S. Institutional Investors. These clients may be segregated advisory clients or we may form additional collective investments (i.e. private funds) for the purpose of managing these assets.

In addition to the above, SLI(CF) serves as investment adviser to non-U.S. clients, including private funds not offered or domiciled in the U.S.. As an adviser registered with the Financial Services Authority ("FSA"), SLI(CF) provides these management services under the appropriate regulatory framework.

**4C. Client Goals / Restrictions**

We will tailor our advisory services for an individual client, at its request, by accepting limitations or restrictions, which may include diversification requirements, benchmark deviation, industry concentration, restrictions prohibiting the purchase of certain securities or securities of certain types of issuers, prohibiting investments in certain countries or markets, and prohibiting the employment of certain investment strategies or techniques, or any other applicable restrictions, on investments in securities or types of securities for the client's account. Investment limitations and restrictions, and their potential impact on account yield, are discussed with the client at the time the account is opened and are included in the client's investment management agreement ("IMA").

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See also: Item #12 for a discussion of directed brokerage, and Item #13 for a discussion of how SLI(CF) monitors for adherence to client and regulatory restrictions.

**4D. Wrap-Fee Programs**

We do not participate in wrap-fee programs.

**4E. Client Assets Under Management**

As of December 31, 2012 SLI(CF) managed \$\$6,369,802,402 on a discretionary basis. We do not manager any assets on a non-discretionary basis.

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**Item #5: Fees and Compensation**

**5A. Compensation**

The rate of our advisory fee varies with the type of client, account or product, the asset class being managed, or the investment strategy employed. We may charge advisory fees based upon: (a) the net asset value of the account at the end of each billing period, (b) the unrealized or realized gain of the accounts during the billing period (i.e. a performance fee), or (c) any combination of (a) and (b).

We will generally charge fees based upon assets under management consistent with the ranges discussed below, with breakpoints based upon assets of the account. We reserve the right, in our sole discretion, to negotiate or modify (either up or down) the fee schedule(s) set forth for any client due to a variety of factors, including but not limited to, the size of the investment, the complexity of the investment strategy, the level of reporting and administrative operations required to service the account, and our relationship with the investor. Generally, investment advisory fees for amounts in excess of \$300 million are negotiable.

*Private Funds*

As an investment manager to private funds, we will receive an advisory fee based upon the net asset value at the end of each billing period. Billing periods will be monthly and fees will be calculated and paid in arrears. Private funds will not pay advisory fees based upon the performance of the fund. Advisory and all other fees are fully disclosed in the offering documents of the fund.

*Dilution Prevention Levy:*

When one of our private funds, SLI GARS, must buy (sell) underlying investments in response to subscription (redemption) activity by investors in the feeder funds, it will generally incur transaction costs which are not reflected in the price paid by (to) the investor. This effect is known as "dilution". This cost may have an adverse effect on continuing investors' interests. In order to prevent this adverse effect, a dilution prevention levy ("DPL") may be imposed on the subscription for or redemption of interests. All such levies are paid directly to the fund.

The board of directors or the general partner, as applicable, of the feeder funds is responsible for ensuring the consistent and fair implementation of the DPL. The board of directors or the general partner, as applicable, of the feeder funds has delegated the day to day application of the DPL to us. We will provide reports sufficient to demonstrate the consistent and fair application of the DPL to the fund's board of directors or general partner, as applicable, and SLI(CF)'s compliance department.

The DPL charged in relation to a purchase or redemption will be calculated based on best available estimates of transaction costs at the time. Purchase and redemption activity will, to the extent possible, be netted so that the transaction costs are estimated based on net investor activity. The DPL will be paid to the fund by the investors making the purchase or redemption. We may, using only our own assets, elect to refund to an investor part or all of any DPL owed to the fund based on any factor we deem to be appropriate. Such factors may include the size of the investment or our relationship to the investor. In no event will any refund provided by us effect the amount of the DPL received by the fund.

In no instance will the application of the DPL cause a gain for SLI(CF), in financial or other terms.

*U.S. Registered Investment Companies*

SLI(CF) currently provides sub-advisory services for two investment companies registered under the Investment Company Act of 1940 ("fund"). As such, we receive a portion of the

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advisory fee paid by the fund to the adviser. The accrual of advisory fees is reflected in the fund's daily net asset value and paid monthly in arrears.

*Other Clients*

All non-U.S. clients are institutional investors. An institutional investor is an investor permitted under SEC rules to trade private placement securities with other qualified institutional investors without registering the securities with the SEC. In order to qualify as an institutional investor, assets under management must be at least \$100 million. In providing advisory services to our non-U.S. institutional investors we make investment decisions based upon the specific risk and return objectives of the client as expressed in the IMA. All non-U.S. institutional investors will sign an IMA which will contain disclosure of fees paid to SLI(CF).

**Sample of fee schedules by strategy type.**

*Global Absolute Return Strategy*

100 Basis Points	First \$20 million
90 Basis Points	Next \$30 million
80 Basis Points	Next \$50 million
70 Basis Points	Thereafter

*Other strategies*

SLI(CF) does not currently have U.S. clients in any other strategies. Fees will be negotiated based on, but not limited to, the size of the investment, the complexity of the investment strategy, the level of reporting and administrative operations required to service the account, and our relationship with the investor.

**5B. Methods of Payment**

SLI(CF) will receive advisory fees for each billing period in arrears. Billing periods will vary depending on the client and/or investment vehicle, but in all cases would be disclosed within the IMA or fund offering documents, as applicable. We may consider alternative arrangements on request by the client.

**5C. Other Fees**

In the management of accounts, SLI(CF) will cause the account to pay brokerage and other transaction costs. Other common costs include legal, auditing, and custody. The amount and timing of these fees will vary according to, among other things, strategy and investment structure. In all instances, costs which are controlled by SLI(CF) and paid by clients are considered in light of our fiduciary duty and our duty to seek best execution.

*Private Funds*

Private funds may gain exposure to asset classes through investments in underlying portfolios managed by SLI(CF) or its affiliates, subject to any regulatory restrictions applicable to particular client types, such as mutual funds or ERISA accounts. We have implemented controls to prevent the double-charging of advisory fees, however, in one of our private funds, SLI GARS, the other fees charged to the underlying funds (e.g. custody, auditing) would apply to investors.

*U.S. Registered Investment Companies*

Investors in a U.S. registered fund will pay a suite of fees including investment advisory services, custody, legal/accounting, and other fees deemed appropriate by the fund's board. A full discussion of fees is contained within the fund's prospectus and statement of additional information.

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*Other Clients*

SLI(CF) does not currently have U.S. clients in any other strategies. The amount and timing of fees will be negotiated based on, among other things, strategy and investment structure.

See also: Brokerage costs are discussed more fully in Item #12.

**5D. Advance Payment of Fees**

We do not currently, nor do we intend to, seek payment for services in advance. Such an arrangement would only be considered in response to a request from a client or potential client.

**5E. Compensation for Sale of Securities**

Employees of our affiliate, Standard Life Investments (USA) Limited ("SLI(USA)"), market our advisory services to U.S. investors. Employees do not receive sales commissions for their sales activities. However, SLI(USA) considers an employee's success in attracting new clients to SLI(CF) and other factors when it determines the employee's compensation. Other factors may include our overall performance and the employee's contribution to performance, for example, through developing product strategies, fostering relationships with consultants and successfully predicting market and competitive trends.



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**Item #6: Performance Based Fees and Side-by-Side Management**

*Performance Fees:*

As discussed in Item #5 above, we may enter into IMA's which call for fees based on the assets of the client account, performance fees, or a combination of both. Performance fees will only be used in compliance with Rule 205-3 of the Investment Advisers Act 1940. Such fees would only be discussed and offered to Institutional Investors. Currently no U.S. investors pay a performance fee.

As mentioned in response to Item #1 above, SLI(CF) does have non-U.S. institutional investors. Among those, three property collective funds pay performance fees.

*Side by Side Management:*

Conflicts of interest may arise in the management of multiple accounts which use the same strategy or asset classes. For example, some clients may pay a higher asset under management fee rate. Standard Life Investments manages GARS portfolios that are available to SLI employees through their retirement plans. Standard Life Investments manages a pool of assets in GARS for the benefit of the SL Group pension plan. These circumstances raise a conflict of interest in that we may make decisions which would give an unfair performance advantage to one client over another. These decisions could include: the allocation of opportunities (e.g. "hot" IPO's), timing of trade activity, and assignment of investment personnel.

SLI(CF) and our parent, SLIL, have implemented policies designed to address these conflicts. Specifically, policies around trade allocation and brokerage are designed to treat all clients fairly. The team responsible for GARS, the Multi Asset Investment Team, is responsible for all investments in GARS. Further, SLI(CF) and SLIL have deployed the Investment Governance Team, a dedicated group of professionals responsible for the oversight of investment management. The Investment Governance team reviews portfolios for alignment with client-specific and regulatory restrictions, as well as adherence to our own guidelines for prudent investment management. In addition, as a registered entity with the Financial Services Authority ("FSA"), SLIL is required to maintain a register of all conflicts of interest relevant to managing the business.

See also: Item #12 for a discussion of directed brokerage, and Item #13 for a discussion of the Investment Governance Team.

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**Item #7: Types of Clients**

As discussed in Item #4 above, we serve as investment manager for private funds, U.S. registered investment companies, and certain non-U.S. institutional investors, through a number of strategies and structures.

We may apply a minimum investment in certain cases. However, we may alter or waive a minimum based upon factors including, but not limited to, the complexity of the strategy to be employed, client-specific restrictions, resources required of us, or other factor(s) deemed appropriate. We may also aggregate the investments made by related qualified and accredited investors.

The minimum investment for segregated accounts is currently £100 million.

The minimum investment for GARS is currently \$5 million.

As mentioned above, minimum investment amounts are subject to waiver in certain circumstances.

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

**8A. Methods of Analysis**

*General Risks*

The risks set forth below represent a general summary of the risks involved in the investment strategies we offer to U.S. investors or are domiciled in the U.S. If applicable, please refer to the offering documents for a more detailed discussion of the risks involved in an investment in a fund.

In serving the needs of our clients, our portfolio managers are able to take advantage of the insights and expertise of their colleagues across Standard Life affiliates. While we are responsible for investment decisions for our clients, those decisions are informed through a disciplined, team-oriented approach to investment analysis.

Industry-specific analysts are responsible for the recommendation of stocks. They study and analyze various sectors in the economy, develop proprietary models and recommend investment decisions.

Our investment process is designed to be robust and repeatable. It combines asset allocation, stock selection, portfolio construction, risk management and trading. It is research intensive and is built around the SLI Focus on Change philosophy.

*Focus on Change*

Focus on Change seeks to identify the key factors that drive the market price of an investment. The understanding of the dynamics behind these drivers allows us to focus on what is changing and whether these changes will lead to revised market expectations, and ultimately a revised price. The best opportunities come in the investments where we not only have the deepest insights but also the greatest conviction that market expectations are going to change. Focus on Change is not inherently growth or value biased or momentum driven.

SLI ensures discipline around this philosophy by requiring that all investment decisions are justified by answers to five key questions. These five questions represent the common investment language of SLI and are among all affiliates and across all asset classes. This common language is key to generating investment insights and convictions that can be easily understood and exploited by SLI(CF) and our affiliates.

*Risk of Loss*

Of course, no investment manager or strategy can guarantee the performance of a portfolio. Our fundamental research may not yield accurate insights into the future value of a company. Likewise, macro economic factors may influence the value of investments in a direction or of a magnitude different than we expected.

As a result, a portfolio may produce inferior returns or volatility different from that which is expected by us and our clients. All investments, including those made by us on behalf of our clients, may decline in value. It should be noted that past performance is not always an accurate indicator of future returns.

We will always endeavour to act in a manner consistent with our fiduciary duty. However, investing in securities involves risk of loss that the client should be prepared to bear.

**8B. Risks of Strategies**

As discussed directly above, clients should understand that investments in securities/strategies involve the risk of loss. Below is a discussion of risks involved in strategies that are significant to us.

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**GARS**

GARS' benchmark is the 1-month LIBID and the target is to outperform the benchmark by 5% each year on a 3 year rolling basis. The strategy aims to exploit a diverse array of inefficiencies across and within global markets to maximize risk adjusted absolute return. Principally the total return is sought by combining multiple and diverse market related strategies, managed dynamically over our 2 to 5 year outlook. These strategies consist of conventional market positions (equity, bonds, listed real estate, etc.) as well as an array of relative value and opportunistic market strategies that are designed to take advantage of market cycles. These strategies are expected to be the principal drivers of total return for the strategy.

There is a risk that GARS will not achieve its target performance for a period of time relevant to an investor. The performance of individual positions, markets, or correlations may differ from what we expected. In addition to the risks of the strategy itself, the individual instruments carry risks, including leverage, that are discussed more fully directly below.

Details of explicit risks of this strategy are contained within the full fund legal documentation pack provided to all investors prior to a commitment.

**Global Equity**

We manage long-only equity strategies, including Global Equity. The benchmark and target for these strategies is specific to the separate account mandate from each client.

While the risks inherent in investment in equities are discussed directly below, there is a general risk that SLI(CF) will not achieve the target performance for the strategy. That is, our fundamental research may not provide useful or accurate insights on the future value of a company. Our macro economic analysis may fail to predict significant factors moving the markets.

Details of explicit risks of the strategy are contained within the full fund legal documentation pack provided to all investors prior to a commitment.

**Global Real Estate Investment Trust ("Global REIT")**

There are general risks to property ownership including challenges to legal rights, losses to property in excess of insured value, local governmental and zoning issues, changes in the tax codes, occupancy and risks to the realization of projected cash flows. Further, the valuation of real estate assets is inherently subjective; valuations calculated for a property may not be fully realized upon disposal.

Details of explicit risks of this strategy are contained within the full fund legal documentation pack provided to all investors prior to a commitment.

**Absolute Return Global Bond Strategy ("ARGBS")**

ARGBS' benchmark is cash (defined as 1 month U.S. LIBID) and the target is to outperform the benchmark by +2.5% each year over rolling three-year periods. The strategy aims to seek returns through dynamic allocation to fixed income investment opportunities in both traditional and more advanced asset strategies. This can include credit and government bonds, as well as specific strategies in the interest rate, inflation, currency and volatility markets.

The risks inherent in an investment in ARGBS are discussed directly below, and details of explicit risks of the strategy are contained within the full fund legal documentation pack provided to all investors prior to commitment.

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**Global Inflation Linked Bond ("GILB")**

GILB's benchmark is the Barclays World Government Inflation-Linked Bond Index (hedged to USD) and aims to provide long term growth from a combination of income and capital growth by investing predominantly in sovereign-issued and corporate inflation-linked bonds. The strategy may also invest in other types of bonds (such as conventional government bonds and corporate bonds) to capitalize on opportunities identified by our investment management team. In addition, GILB may at times use fixed income derivatives such as interest rate and inflation swaps, total return swaps, credit default swaps, bond futures, and forward foreign exchange contracts.

Given this is a benchmarked bond portfolio, whose benchmark is a range of government bonds, investors face various forms of risk, some of which are detailed directly below. Further, as an actively managed portfolio, there exists a risk of under-performance against benchmark, or of not achieving the targeted out-performance.

Details of explicit risks of this strategy are contained within the full fund legal documentation pack provided to all investors prior to a commitment.

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**Strategy Risk Table**

The table below and the section that follows sets forth information concerning the risks that may be involved with each strategy listed. A "✓" in the table indicates that the strategy involves the corresponding risk. An empty box indicates that the strategy does not involve the corresponding risk in a material way. However, an empty box does not guarantee that the strategy will not be subject to the corresponding risk. If applicable, please refer to the offering documents for a more detailed discussion of the risks involved with investing in each strategy.

<b>Risk Type</b>	<b>GARS</b>	<b>Global Equity</b>	<b>Global REIT</b>	<b>ARGBS</b>	<b>GILB</b>
Adjustable Rate Risk	✓			✓	✓
Convertible Securities Risk	✓			✓	
Counterparty Risk	✓			✓	✓
Country Risk	✓	✓	✓	✓	✓
Currency Risk	✓	✓	✓	✓	✓
Direct Debt Risk	✓		✓	✓	✓
Derivatives Risk (General)	✓			✓	✓
Swaps	✓			✓	✓
Options	✓			✓	
Futures	✓			✓	✓
Forwards	✓			✓	✓
Emerging Market Risk	✓	✓	✓	✓	
Equity Securities Risk (General)	✓	✓	✓	✓	
Exchange Traded Funds Risk	✓	✓	✓	✓	
Fixed Income Risk (General)	✓			✓	✓
Foreign Exchange Risk	✓	✓	✓	✓	✓
Foreign Investment Risk	✓	✓	✓	✓	✓
General Economic Risk	✓	✓	✓	✓	
Government Bond Risk	✓		✓	✓	✓
High Yield Debt Risk	✓			✓	
Interest Rate Risk	✓	✓	✓	✓	✓
Initial Public Offering Risk	✓	✓	✓	✓	
Issuer Risk	✓	✓	✓	✓	✓
Leverage Risk	✓		✓	✓	
Liquidity Risk	✓	✓	✓	✓	✓
Market Risk	✓	✓	✓	✓	✓
Micro/Small/Midcap Companies Risk	✓	✓	✓	✓	
Preferred Stock Risk	✓	✓		✓	
Property Risk			✓		
Repurchase Agreements Risk	✓	✓		✓	
Restricted Securities Risk	✓	✓	✓	✓	
Sector Allocation Risk	✓	✓	✓	✓	
Securities Lending Risk	✓			✓	
Short Selling Risk	✓			✓	
Unlisted Financial Instruments Risk	✓	✓	✓	✓	
Variance & Volatility Risk	✓	✓	✓	✓	✓
Warrants and Rights Risk	✓	✓	✓	✓	

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**8C. Risks of Certain Types of Securities**

The risks set forth below represent a general summary of the risks that may be involved in the investment strategies discussed above.

**Adjustable Rate Risk**

Adjustable rate securities are securities that have interest rates that are reset at periodic intervals, usually by reference to some interest rate index or market interest rate. Some adjustable rate securities are backed by pools of mortgage loans. Although the rate adjustment feature may act as a buffer to reduce sharp changes in the value of adjustable rate securities, these securities are still subject to changes in value based on changes in market interest rates or changes in the issuer's creditworthiness. Because the interest rate is reset only periodically, changes in the interest rates on adjustable rate securities may lag changes in prevailing market interest rates. Also, some adjustable rate securities (or, in the case of securities backed by mortgage loans, the underlying mortgages) are subject to caps or floors that limit the maximum change in interest rate during a specified period or over the life of the security. Because of the resetting of interest rates, adjustable rate securities are less likely than non-adjustable rate securities of comparable quality and maturity to increase significantly in value when market interest rates fall.

**Convertible Securities Risk**

A convertible security is a security (such as a bond or preferred stock) that may be converted at a stated price within a specified period into a specified number of shares of common stock of the same or a different issuer. Convertible securities are senior to common stock in a corporation's capital structure, but are usually subordinated to senior debt obligations of the issuer. Convertible securities provide holders, through their conversion feature, an opportunity to participate in increases in the market price of their underlying securities. The price of a convertible security is influenced by the market price of the underlying security, and tends to increase as the market price rises and decrease as the market price declines.

A convertible security entitles the holder either to receive interest that is generally paid or accrued on a convertible bond or to receive a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged.

Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by a strategy is called for redemption, a strategy will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third-party. Any of these actions could have an adverse effect on the strategy's ability to achieve its investment objective.

**Counterparty Risk**

Counterparty risk, also known as default risk, is the risk that a party to a transaction, such as a broker, will fail to fulfil its obligations. Counterparty risk is a type of credit risk.

**Country Risk**

Investments in securities located in certain countries entail certain additional risks. Legal remedies available to investors in certain countries may be more limited than those available to investors in other countries. The laws of some countries may limit the ability to invest in or repatriate investments in securities and currencies. Since securities often are purchased with and payable in currencies of their issuer's domicile, the value of these assets may be affected

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favorably or unfavorably by changes in currency exchange rates and exchange control regulations. Some currency exchange costs may be incurred when changing investments from one country to another. (See "Foreign Exchange Risk" below.)

In addition, there may be a possibility of nationalization or expropriation of assets, confiscatory taxation, political or financial instability and diplomatic developments that could affect the value of investments in certain countries. The value of the assets may be affected by currency exchange rates, currency exchange control regulations, withholding taxes and restrictions or prohibitions on the repatriation of certain currencies. There may be less information publicly available about issuers located in certain countries, and issuers located in certain countries may not be subject to accounting, auditing and financial reporting standards and practices comparable to those in other countries. The securities of issuers located in certain countries are less liquid and at times more volatile than securities of comparable issuers in other countries. Brokerage commissions and other fees in certain countries also may be higher. Settlement procedures and trade regulations in certain countries may involve certain risks (such as delay in payment or delivery of securities or in the recovery of assets held abroad) and expenses not present in the settlement of other investments.

**Direct Debt Risk**

Some strategies may invest in direct debt instruments which are interests in amounts owed by a corporate, governmental, or other borrower to lenders or lending syndicates (loans and loan participations), to suppliers of goods or services (trade claims or other receivables), or to other parties.

Purchasers of loans and other forms of direct indebtedness depend primarily upon the creditworthiness of the borrower for payment of principal and interest. Direct debt instruments may not be rated by any rating agency. Indebtedness of borrowers whose creditworthiness is poor involves substantially greater risks, and may be highly speculative. Borrowers that are in bankruptcy or restructuring may never pay off their indebtedness, or may pay only a small fraction of the amount owed.

When investing in a loan participation, a strategy purchases a portion of a lender's or participant's interest in a loan, but has no direct contractual relationship with the borrower. The strategy must rely on the seller of the participating interest not only for enforcement of the strategy's rights against the borrower, but also for the receipt and processing of principal, interest or other payments due under the loan. As a result, the strategy may assume the credit risk of both the borrower and the lender that is selling the participation.

Investments in loans through direct assignment of a financial institution's interests with respect to a loan may involve additional risks to a strategy. For example, if the loan is foreclosed, the strategy could become part owner of any collateral, and would bear the costs and liabilities associated with owning and disposing of the collateral. In addition, it is conceivable that under legal theories of lender liability, the strategy's investments could render the investing entity as a co-lender. In the case of loan participations, direct debt instruments may also involve a risk of insolvency of the lending bank or other intermediary. Direct debt instruments that are not in the form of securities may offer less legal protection to a strategy in the event of fraud or misrepresentation. SLI(CF) will utilize research to attempt to avoid situations where fraud or misrepresentation could adversely affect any strategy.

A loan is often administered by a bank or other financial institution that acts as agent for all holders. The agent administers the terms of the loan, as specified in the loan agreement. Unless, under the terms of the loan or other indebtedness, the strategy has direct recourse against the borrower, it may have to rely on the agent to apply appropriate credit remedies against a borrower.



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**Currency Risk**

Some strategies may buy or sell currencies, forward currency contracts, currency futures contracts, swaps and related options and options on currencies. A strategy may use such currency instruments for any purpose, including for investment, hedging or currency risk management.

Forward currency contracts are contracts between two parties to purchase and sell a specific quantity of a particular currency at a specified price, with delivery and settlement to take place on a specified future date. Currency futures contracts are contracts to buy or sell a standard quantity of a particular currency at a specified future date and price. Options on currency futures contracts give their owner the right, but not the obligation, to buy (in the case of a call option) or sell (in the case of a put option) a specified currency futures contract at a fixed price during a specified period. Options on currencies give their owner the right, but not the obligation, to buy (in the case of a call option) or sell (in the case of a put option) a specified quantity of a particular currency at a fixed price during a specified period. Consistent with industry practice, some or all currency transactions may not be collateralized, which increases counterparty risk.

Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by the forces of supply and demand, the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors. Currency exchange rates also can be affected unpredictably as a result of intervention (or the failure to intervene) by governments or central banks, or by currency controls or political developments, including repatriation limitations. A strategy's exposure to non-U.S. dollar currencies means that a change in the value of any such currency against the U.S. dollar will result in a change in the U.S. dollar value of the strategy's assets.

Liquidity and trading costs can vary significantly over time and across markets, particularly in emerging market countries. Non-U.S. settlement procedures and trade regulations may involve certain risks (such as delay in payment or delivery of securities or in the recovery of assets held abroad) and expenses not present in the settlement of U.S. investments.

**Derivatives Risk (General)**

A derivative is a financial instrument that has a value based on the expected future price movement of the asset to which it is linked. Examples of derivatives used include swaps, futures, options and forwards, each of which is associated with its own set of risks identified below. Certain derivative instruments may be subject to various types of risks, including but not limited to, market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk, and operations risk.

**Swap Risk**

Swap agreements are two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than one year. In a typical "swap" transaction, two parties agree to exchange returns (or differentials in rates of return) calculated with respect to a "notional amount," e.g., the return on or increase in value of a particular amount invested at a particular interest rate, in a particular currency, or in a "basket" of securities representing a particular index. Some strategies are allowed to enter into any type of swap contract, including but not limited to, equity, interest rate, inflation, total return, currency, volatility, variance, and credit default swaps. Notional amounts of swap transactions are not subject to any limitations, and swap contracts may expose the strategy to unlimited risk of loss. Swaps may be used as an alternative to futures contracts. (See "Futures Risk" below.)

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Some strategies may make investments in credit default swaps, total rate of return swaps and other credit derivatives. These transactions generally provide for the transfer from one counterparty to another of certain credit risks inherent in the ownership of a financial asset such as a bank loan or a high yield debt security. Such risks include, among other things, the risk of default and insolvency of the obligor of such asset; the risk that the credit of the obligor or the underlying collateral will decline or that credit spreads for like assets will change (thus affecting the market value of the financial asset). The transfer of credit risk pursuant to a credit derivative may be complete or partial, and may be for the life of the related asset or for a shorter period. Credit derivatives may be used as a risk management tool for a pool of financial assets, providing the strategy with the opportunity to gain exposure to one or more reference loans or other financial assets without actually owning such assets. Conversely, credit derivatives may be used by a strategy to reduce exposure to an asset without selling it.

Credit default swaps, total rate of return swaps and other credit derivatives are subject to many of the same types of risks inherent to the underlying assets, including, but not limited to, market fluctuation risk, lack of liquidity in markets, counterparty risk and currency exchange risk. A strategy may enter into swaps for hedging, risk management and investment leverage. When using swaps for hedging, a strategy may enter into a swap on either an asset-based or liability-based basis, depending on whether it is hedging its assets or its liabilities. For risk management or leverage purposes a strategy may also enter into a contract for differences in which the notional amount of the theoretical long position is greater than the notional amount of the theoretical short position.

A strategy may only close out a swap or contract for differences with the consent of the particular counterparty, may only transfer a position with the consent of the particular counterparty, and following transfer of a position, may only close out the transaction with the new counterparty. Also, if the counterparty defaults, the strategy will have contractual remedies pursuant to the agreement related to the transaction, but there is no assurance that contract counterparties will be able to meet their obligations pursuant to such contracts or that, in the event of default, the strategy will succeed in enforcing its contractual remedies. There also may be documentation risk, including the risk that the parties may disagree as to the proper interpretation of the terms of a contract. If such a dispute occurs, the cost and unpredictability of the legal proceedings required to enforce its contractual rights may lead the Fund to decide not to pursue its claims against the counterparty. The strategy thus assumes the risk that it may be unable to obtain payments owed to it under swap contracts, over-the-counter options and other two-party contracts or that those payments may be delayed or made only after it has incurred the costs of litigation.

#### **Option Risk**

Some strategies may purchase and sell put and call options, including, but not limited to, options on securities, indices (both narrow- and broad-based), currencies, swaps, futures contracts and commodities. A strategy may use options on assets in lieu of purchasing and selling the underlying assets. For example, to hedge against a possible decrease in the value of its portfolio investments, the strategy may purchase put options or write call options on securities, indices, currencies, swaps, futures contracts or commodities rather than selling such underlying assets. Similarly, the strategy may purchase call options or write put options on assets as a substitute for the purchase of such underlying assets or to hedge against a possible increase in the price of investments which the strategy expects to purchase or already has purchased.

Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of over-the-counter options (options not traded on exchanges) generally are established through negotiation with the other party to the option contract. While this type of arrangement allows greater

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flexibility to tailor an option to its needs, over-the-counter options generally involve greater credit risk than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded.

#### Futures Risk

Some strategies are authorized to enter into futures contracts and may engage in a variety of transactions involving the use of futures. If a strategy purchases a futures contract, it incurs an obligation to take delivery of a specified amount of the obligation underlying the futures contract at a specified time in the future for a specified price. If a strategy sells a futures contract, it incurs an obligation to deliver a specified amount of the obligation underlying the futures contract at a specified time in the future for an agreed-upon price. The purchase and sale of futures contracts may be for investment purposes. Additionally, the purchase of futures contracts can serve as a long hedge, and the sale of futures contracts can serve as a limited short hedge. Some strategies may use futures contracts that are traded on exchanges in various countries.

The purchase or sale of a futures contract differs from the purchase or sale of a security or option in that no price or premium is paid or received. Instead, an amount of cash, government securities or other liquid assets equal in value to a percentage of the face amount of the futures contract must be deposited with the broker. This amount is known as initial margin. The size of the initial margin is generally set by the market on which the contract is traded. Subsequent payments to and from the broker, known as variation margin, are made on a daily basis as the price of the underlying futures contract fluctuates, making the long and short positions in the futures contract more or less valuable, a process known as "marking to the market."

In most cases futures contracts are closed before the settlement date without the making or taking of delivery. A sale of a futures contract is closed by purchasing a futures contract for the same aggregate amount of the specified type of financial instrument or commodity and the same delivery date. If the price of the initial sale exceeds the price of the offsetting purchase, the seller is paid the difference and realizes a gain. Conversely, if the price of the offsetting purchase exceeds the purchase price, the seller realizes a loss. Similarly, a purchase of a futures contract is closed by selling a corresponding futures contract.

A strategy may not be able to enter into an offsetting closing transaction for a purchased or sold futures contract, by selling or purchasing, respectively, an instrument identical to the instrument purchased or sold. In addition, under certain circumstances, futures exchanges may establish daily limits on the amount that the price of a futures contract can vary from the previous day's settlement price, thereby effectively preventing liquidation of unfavorable positions. If the strategy is unable to liquidate a futures position due to the absence of a liquid secondary market or the imposition of price limits, it could incur substantial losses and it would continue to be subject to market risk with respect to such position.

Some strategies may purchase or sell futures contracts on securities indices ("Index Futures") as part of its investment strategies. Changes in the price of Index Futures may not correlate perfectly with price movements in the relevant index due to market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting margin calls, investors may close futures contracts through offsetting transactions which could distort normal correlations. Second, the margin deposit requirements in the futures market are less onerous than margin requirements in the securities market, resulting in more speculators who may cause temporary price distortions. Third, trading hours for Index Futures may not correspond directly to the trading hours of the exchange which a particular trades. As a result, the lack of continuous arbitrage may cause a disparity between the price of Index Futures and the value of the relevant index.

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Bond futures are a contractual obligation for the contract holder to purchase or sell a bond on a specified date at a predetermined price. A bond future can be bought in a futures exchange market and the prices and dates are determined at the time the future is purchased. With that said, this form of a derivative can be risky because it involves trading at a future date with only current information

**Forwards Contract Risk**

A forward contract is a contract to buy or sell an underlying security at a pre-determined price on a specific future date. The initial terms of the contract are set so that the contract has no value at the outset. Forward prices are obtained by taking the spot price of a security and adding to it the cost of carry. No money is transferred upon entering into a forward contract and the trade is delayed until the specified date when the underlying security is exchanged for cash. Subsequently, as the price of the underlying security moves, the value of the contract also changes, generally in the same direction.

Forward contracts involve a number of the same characteristics and risks as futures contracts but there also are several differences. Forward contracts are not exchange traded, and are not necessarily marked to market on a daily basis. They settle only at the pre-determined settlement date. This can result in deviations between forward prices and futures prices, especially in circumstances where interest rates and futures prices are positively correlated. Second, in the absence of exchange trading and involvement of clearing houses, there are no standardized terms for forward contracts. Accordingly, the parties are free to establish such settlement times and underlying amounts of a security or currency as desirable, which may vary from the standardized provisions available through any futures contract. Finally, forward contracts, as two party obligations for which there is no secondary market, involve counterparty credit risk not present with futures.

**Emerging Market Risk**

Many emerging market countries have different clearance and settlement procedures from developed countries. There may be no central clearing mechanism of settling trades and no central depository or custodian for the safe keeping of securities. The registration, record-keeping and transfer of instruments may be carried out manually, which may cause delays in the recording of ownership. Increased settlement risk may increase counterparty and other risk. Certain markets have experienced periods when settlement dates are extended, and during the interim, the market value of an instrument may change. Moreover, certain markets have experienced periods when settlements did not keep pace with the volume of transactions resulting in settlement difficulties. Because of the lack of standardized settlement procedures, settlement risk in emerging markets is more prominent than in more mature markets.

**Equity Securities Risk (General)**

The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, an account may suffer losses if it invests in equity instruments of issuers whose performance diverges from SLI(CF)'s expectations or if equity markets generally move in a single direction. Accounts also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

**Exchange Traded Funds ("ETFs") Risk**

ETFs are shares of publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector, or international; however, ETF shareholders are generally subject to the same risk as holders of

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the underlying financial instruments they are designed to track. ETFs are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying financial instruments they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades.

**Fixed Income Risk (general)**

Most fixed income securities have a par value that pays a specific rate of interest on that value, or otherwise has a knowable rate of return. Many of the risks in fixed income securities also apply to other investments, for instance inflation risk. Generally, the most important risks for fixed income securities are market risk (see "Market Risks" below) or interest rate risk (see "Interest Rate Risks" below), given interest rates change continually, and this risk affects virtually every security.

**Foreign Exchange Risk**

Foreign exchange risk is the possibility that the foreign currency will depreciate against the domestic currency. Investments in foreign currencies are subject to the risk that those currencies will decline in value relative to the U.S. dollar, or in the case of hedged positions, that the U.S. dollar will decline relative to the currency being hedged. Foreign currencies are also subject to risks caused by inflation, interest rates, budget deficits and low savings rates, political factors and government controls.

**Foreign Investment Risk**

Special risks associated with investments in foreign companies include exposure to currency fluctuations, less liquidity, less developed or less efficient trading markets, lack of comprehensive company information, political or economic instability, seizure or nationalization of assets, imposition of taxes or repatriation restrictions and differing auditing and legal standards. The securities of issuers located in emerging markets can be more volatile and less liquid than those of issuers in more mature economies.

**General Economic Risk**

Economic risk can generally be described as the likelihood that an investment will be affected by macroeconomic conditions such as government regulation, exchange rates, or political stability, most commonly one in a foreign country.

**Government Bond Risk**

Government bonds are bonds or debt obligations issued by a government authority with a promise of repayment upon maturity that is backed by said government. A government security may be issued by the government itself or by one of the government agencies. These securities are generally considered low-risk, since they are backed by the taxing power of the government.

**High Yield Debt Risk**

Strategies may invest in high yield debt securities which are rated below investment-grade by one or more nationally recognized statistical rating organizations, or are unrated, but of comparable credit quality to obligations rated below investment-grade, and have greater credit and liquidity risk than more highly rated debt obligations. High yield debt is generally unsecured and may be subordinate to other obligations of the obligor. The lower rating of high yield debt reflects a greater possibility that adverse changes in the financial condition of the obligor or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings) or both may impair the ability of the obligor to make payment of principal and interest. Many issuers of high yield debt are highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations. In addition, many issuers of high yield debt may be (i) in poor financial condition, (ii) experiencing poor

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operating results, (iii) having substantial capital needs or negative net worth or (iv) facing special competitive or product obsolescence problems, and may include companies involved in bankruptcy or other reorganizations or liquidation proceedings. Certain of these securities may not be publicly traded, and therefore it may be difficult to obtain information as to the true condition of the issuers. Overall declines in the below investment-grade bond and other markets may adversely affect such issuers by inhibiting their ability to refinance their debt at maturity. High yield debt is often less liquid than higher rated securities.

High yield debt is often issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. High yield debt has historically experienced greater default rates than has been the case for investment-grade securities. GARS may also invest in equity securities issued by entities with unrated or below investment-grade debt.

**Interest Rate Risk**

Interest-rate risk describes the risk that the value of a security will go down because of changes in interest rates. For example, when interest rates overall increase, bond issuers must offer higher coupon rates on new bonds in order to attract investors. The consequence is that the prices of existing bonds drop because investors prefer the newer bonds paying the higher rate. On the other hand, there's also interest-rate risk when rates fall because maturing bonds or bonds that are paid off before maturity must be reinvested at a lower yield

**Initial Public Offering ("IPO") Risk**

Investments in initial public offerings (or shortly thereafter) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including, without limitation, the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

**Issuer Risk**

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

**Leverage Risk**

**Borrowing to Invest** - Not all strategies routinely borrow to invest. There are short term borrowing powers for settlement of trades where there are cash flows and such, as per a standard long-only fund; however, borrowing is only permitted on a temporary basis. No period of borrowing should exceed three months without prior consent.

**Sum of Nominal Exposure is Greater than 100%** - When adding together the nominal sizes of all the physical and derivative based exposures of some strategies, the resulting number is greater than the Net Asset Value ("NAV") of the portfolio. The aggregate nominal exposure, which allows for derivatives usage, is commonly from 200% to 400% of the physical assets. Leverage calculations do not typically contain any adjustments for risk considerations; however, understanding risk in addition to leverage is very important. It is important to note that the use of financial instruments to increase potential return, including the use of derivatives for investment (i.e. non-hedging) purposes, may cause returns to be more volatile than if they had not been leveraged.

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**Risk-based Measures** - Some strategies can use a significant level of derivatives which is recognized under UCITS as a sophisticated fund, and therefore meets the criteria for calculating global exposure via the Value at Risk ("VaR") methodology. In situations such as this, SLI(CF) measures each strategy on a stand-alone risk basis. For example, a 10% allocation to a 20% volatility global equity strategy would equate to a stand-alone risk of 2% to the portfolio.

**Cash Coverage** - Derivative and cash exposures are monitored daily. Cash can be held in a portfolio to provide liquidity and a more than sufficient margin to cover extreme market movements in terms of margin and counterparty collateral calls. It is important to note that we calculate collateral for Over the Counter ("OTC") and Exchange Traded Derivatives separately, and take a conservative approach by assuming there is no diversification benefit.

**Liquidity Risk**

Liquidity risk is the risk that an investment may not be able to be bought or sold quickly for a price that is close to the true underlying value of the asset. When there is little or no active trading market for specific types of securities, it can become more difficult to sell the securities at or near their perceived value. In such a market, the value of such securities and the value of your investment may fall dramatically, even during periods of declining interest rates. Liquidity risk also exists when a particular derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price. Liquidity risk is usually higher in over-the-counter markets and small-capitalization stocks. Foreign investments can also pose liquidity risks; the size of foreign markets, the number of companies listed, and hours of trading may limit your ability to buy or sell a foreign investment.

**Market Risk**

Market risk is the possibility for an investor to experience losses due to factors that affect the overall performance of the financial markets. The market value of a security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. Market risk, also called "systematic risk," cannot be eliminated through diversification, though it can be hedged against. The risk that a major natural disaster will cause a decline in the market as a whole is an example of market risk. Other sources of market risk include recessions, political turmoil, changes in interest rates, labor shortages, and terrorist attacks.

**Micro/Small/Mid Companies Risk**

Investments in micro and smaller capitalization companies involve higher risks in some respects than do investments in larger "blue-chip" companies. For example, prices of micro- and small-capitalization and even medium-capitalization companies are often more volatile than prices of large-capitalization companies and may not be based on standard pricing models that are applicable to large capitalization companies. Furthermore, the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) may be higher than for larger, "blue-chip" companies. Finally, due to thin trading in some micro- and small-capitalization companies, an investment in those companies may be illiquid.

**Preferred Stock Risk**

Preferred stocks include convertible and non-convertible preferred and preference stocks that are senior to common stock. Preferred stocks are equity securities that are senior to common stock with respect to the right to receive dividends and a fixed share of the proceeds resulting from the issuer's liquidation. Some preferred stocks also entitle their holders to receive additional liquidation proceeds on the same basis as holders of the issuer's common stock, and thus represent an ownership interest in the issuer. Depending on the features of the

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particular security, holders of preferred stock may bear the risks disclosed herein regarding equity or fixed income securities.

**Property Risk**

Property risk is the possibility of financial loss occurring as the result of owning a real estate investment.

**Repurchase Agreement Risk**

A strategy may enter into repurchase agreements with banks and broker-dealers. A repurchase agreement is a contract under which the strategy acquires a security (usually an obligation of the government where the transaction is initiated or in whose currency the agreement is denominated) for a relatively short period for cash and obtains a simultaneous commitment from the seller to repurchase the security at an agreed-upon price on a specified date. The repurchase price reflects an agreed-upon market rate unrelated to the coupon rate on the purchased security. The strategy bears the risk of the seller defaulting in its obligation to pay the repurchase price when it is required to do so. Such a default may subject the strategy to expenses, delays and risks of loss including: (i) possible declines in the value of the underlying security while the strategy is seeking to enforce its rights thereto, (ii) possible reduced levels of income and lack of access to income during this period, and (iii) inability to enforce its rights and the expenses involved in attempted enforcement. The strategy may also invest in reverse repurchase agreement and similar transactions.

**Restricted Securities Risk**

Restricted securities cannot be sold to the public without registration under the Securities Act of 1933, as amended (the "1933 Act"). Unless registered for sale, restricted securities can be sold only in privately negotiated transactions or pursuant to an exemption from registration (e.g., under Rule 144A of the 1933 Act). Although these securities may be resold in privately negotiated transactions, because there is less liquidity for these securities, the prices realized from these sales could be less than those originally paid by the account. Restricted securities may involve a high degree of business and financial risk which may result in substantial losses.

**Sector Allocation Risk**

While a portfolio manager uses the sector weightings of a strategy's benchmark index as a guide in structuring the strategy's portfolio, it is possible they may overweight or underweight certain sectors relative to the index. This over or underweighting may cause the strategy's performance to be more or less sensitive to developments affecting those sectors.

**Securities Lending Risks**

The risks in lending portfolio securities, as with other extensions of credit, consist of possible delay in recovery of the securities or possible loss of rights in the collateral should the borrower fail financially. However, such loans will be made only to broker-dealers that are believed by the Investment Adviser to be of relatively high credit standing. Securities loans are made to broker-dealers pursuant to agreements requiring that loans be continuously secured by collateral in cash or U.S. government securities at least equal at all times to the market value of the securities lent. The borrower pays to the lender an amount equal to any dividends or interest received on the securities lent. GARS may invest any cash collateral received from the borrower for its own account, in interest-bearing, short-term securities or, if the loan is collateralized by U.S. government securities, the lender receives a fee from the borrower.

Some strategies bear the risk of total loss with respect to the investment of collateral. In the case of loans collateralized by cash, the lender typically pays a fee to the borrower. Although voting rights or rights to consent with respect to the loaned securities pass to the borrower, the lender retains the right to call the loans at any time on reasonable notice. A strategy will call the loans in order that the securities may be voted by the strategy if the holders of such



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securities are asked to vote upon or consent to matters materially affecting the investment. However, the strategy bears the risk of delay in the return of the security, impairing its ability to vote on such matters. A strategy may also call such loans in order to sell the securities involved. The Investment Adviser may retain a lending agent on behalf of the strategy that would be compensated based on a percentage of the strategy's return on its securities lending. The strategy may also pay various fees in connection with such loans including shipping fees and reasonable custodian fees.

**Short Selling Risk**

A strategy may engage in the short sale of securities or currencies as part of its investment strategy. A short sale involves the sale of a security or currency that the strategy does not own in the expectation of purchasing the same currency or security (or a security exchangeable therefore) at a later date at a lower price. A short sale is also affected when a strategy sells a security or currency that it does own, but intends to deliver borrowed securities, rather than the securities or currencies that it owns, upon consummation of the sale (a short sale "against the box"). To make delivery to the buyer, the strategy must borrow the security or currency. The strategy then is obligated to replace the security or currency borrowed by purchasing it at the market price at or prior to termination of the loan. The price at such time may be more or less than the price at which the security or currency was sold by the seller. If the value of the security or currency subject to the short sale decreases, the seller will realize a profit to the extent that the short sale price exceeds the market price at the time the short sale is closed out. If the value of the security or currency subject to the short sale increases, the seller will realize a loss to the extent that the market price exceeds the short sale price.

Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Theoretically, the potential loss on the securities sold short is unlimited as there is no ceiling on how far the price of the security may rise. Also, a short seller may be prematurely forced out of a position due to an inability to maintain a loan of the stock which is borrowed to establish the short. Furthermore, if a strategy has sold short the securities offered in an exchange offer or merger and has purchased the securities of the target company, the strategy is exposed to the risk that, if the transaction is not consummated, it may suffer losses with respect to its long and its short positions. Some strategies have no policy limiting the amount of capital it may deposit to collateralize its obligation to replace borrowed securities sold short.

**Unlisted Financial Instruments Risk**

Unlisted securities may involve higher risks than listed securities. Because of the absence of any trading market for unlisted securities, there may be little or no liquidity in unlisted securities; therefore, it may take longer to liquidate, or it may not be possible to liquidate these types of securities. Given many unlisted securities are relatively illiquid or "thinly traded" this could enhance the volatility of the share price and make it difficult to sell the securities at a later date.

The valuation of unlisted securities is much more difficult to calculate than listed securities and the use of leverage may amplify a fund's volatility. Valuations may be misleading, and prices quoted in some unlisted securities may be historical only and may not reflect recent trading in the company concerned.

Transparency of the unlisted securities market is not done through the systems of the exchanges. Prices are therefore not openly displayed. There is a risk that brokers and dealers are not aware of all the trading in particular unlisted securities and that customers are being disadvantaged by reliance on incomplete volume and price information.

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Exchange securities prices are quoted regularly in newspapers that allow investors to keep track of the prices of their securities. Since unlisted securities are not traded in an open market investors must rely upon their broker to obtain the information. Companies whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

**Variance & Volatility Risk**

Variance measures the variability (or volatility) from an average. Volatility (variability) is a basic measure for risks associated with a financial market's instrument. It represents an accidental constituent of an asset's price fluctuation and is accounted as a range of the price alteration (difference between maximum and minimum prices) within trading session, trading day, month etc. Usually the wider range of fluctuations (higher volatility) means higher trading risks involved.

**Warrants and Rights**

A strategy may purchase or otherwise receive warrants or rights. Warrants and rights generally give the holder the right to receive, upon exercise, a security of the issuer at a stated price. A strategy may use warrants and rights in a manner similar to its use of options on securities. Risks associated with the use of warrants and rights are generally similar to risks associated with the use of options. Unlike most options, however, warrants and rights are issued in specific amounts, and warrants generally have longer terms than options. Warrants and rights are not likely to be as liquid as exchange-traded options backed by a recognized clearing agency. In addition, the terms of warrants or rights may limit a strategy's ability to exercise the warrants or rights at such time, or in such quantities, as the strategy would otherwise wish.

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**Item #9: Disciplinary Information**

**9A. Civil or Criminal Actions**

SLI(CF) has no such actions to disclose.

**9B. Administrative Proceedings**

SLI(CF) has no such administrative proceedings to disclose.

**9C. SRO proceedings**

SLI(CF) has no such SRO proceedings to disclose

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**Item #10: Other Financial Industry Activities and Affiliations**

**10A. Broker-Dealer**

Our affiliate, SLI(USA), has formed a wholly owned subsidiary, named Standard Life Investments Securities, LLC ("SLIS"). SLIS is registered as a member of the Financial Industry Regulatory Authority ("FINRA") as a broker-dealer.

SLIS is a "limited purpose" broker-dealer and will be the entity responsible for coordinating the offering of private funds managed by SLI(CF).

**10B. Futures Commission Merchants ("FCM"), Commodity Pool Operators ("CPO"), Commodity Trading Advisors ("CTA").**

SLI (CF) has filed an exemption under the U.S. Commodity Futures Trading Commission ("CFTC") Rule 4.13(a)(3) with the National Futures Association ("NFA"). SLI (CF) will be filing as a Commodity Pooled Operator ("CPO") with the CFTC during 2013, at which time a separate compliance program will be maintained.

**10C. Other Relationships or Arrangements**

1. Other investment adviser: SLI(CF) shares investment knowledge, governance, back-office, and compliance resources with its parent SLIL, and affiliated adviser SLI Inc. SLI(CF) believes that these relationships pose no material conflicts of interest to SLI(CF) clients.
2. Insurance company or agency: A subsidiary of Standard Life plc (and therefore an affiliate of SLI(CF)), is Standard Life Assurance Limited ("SLAL"), which undertakes activities in the U.K. and Canada which deem it to be an insurance company. SLAL has directed investments to be advised by SLIL. This arrangement may appear to pose a conflict in that SLIL may give preferential treatment (e.g. trade allocations, brokerage rates) to investments directed from its parent. SLIL and SLI(CF) have adopted policies and controls to mitigate any such conflicts. They are described in Item #13 below.
3. Sponsor or syndicator of limited partnerships: SLI(CF) and SL Capital Partners, LLP ("SLCP") are owned, wholly or in part, by SLIL. SLI(CF) and SLCP serve as investment managers for, among other clients, limited partnership vehicles ("LP's"). Related parties serve as general partner for these partnerships. From time to time, SLIL or its officers, directors, or employees may make investments into these LP's, in the form of seed capital or general investment. In addition, SLI(CF) and SLCP may cause their clients to make investments in the LP's.

The existence of affiliated investors in certain LP's may pose a conflict of interest. SLI (CF) and SLCP have implemented controls which address this conflict. Please see Item #13 for information relating to the Investment Governance process, whereby portfolio managers are held accountable for investment decisions and adherence to each client's IMA. Please also see Item #11 for further discussion of conflicts raised by investing client assets in SLI-managed products.

**10D. Recommendation or Selection of Other Investment Advisers**

SLI(CF) does not recommend or select non-affiliated investment advisers for its clients.

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**Item #11 Code of Ethics, Participation or Interest in Client Trades and Personal Trading**

**11A. Code of Ethics**

SLI(CF) has adopted the SLIL Code of Ethics and Professional Conduct ("the Code"), which is comprised of two parts:

- 1) The Standard Life Investments Code of Conduct; and
- 2) The Standard Life Investments approach to identifying and reporting suspected financial crime.

The Code, which all SLI employees are required to adhere to, explains how SLI expects its people to behave and reflects the high standards which have characterised Standard Life Investments for over 180 years. The Code provides the principles for the conduct of investment business, laid down by the SEC and FSA. In addition, it provides 15 sections all of which clarify our responsibilities to clients, government officials, competitors and communities we serve, and outlines important legal and ethical issues. Supplemental to the Code, the following policies and/or procedures are provided:

*Personal Trading Policy*

From time to time, directors, officers, employees or their related persons (collectively referred to as 'employees') of SLI(CF) may wish to engage directly or indirectly in a personal investment in securities. These securities may include those that SLI(CF) has bought or sold on behalf of clients. This process is governed by a personal trading policy and insider trading policy which all employees of SLI(CF) must adhere to. The Code requires that the compliance manager, chief compliance officer, or a person so designated by the compliance manager or chief compliance officer, review all reports submitted by employees pursuant to the Personal Trading Policy.

*Reporting Requirements for Access Persons*

All SLI(CF) employees deemed access persons and as such they are required to submit certain reports of personal accounts in accordance with the Code, and the Reporting Requirements for Access Persons Procedure.

*Electronic Communication Policy*

SLI(CF) recognises the need for security over the data held on company computer systems. As such, all employees are required to follow the Sensitive and Personal Data guidelines within the Code, and are permitted to only use approved means of electronic communication which are fully described in the Electronic Communication Policy.

*Gifts & Entertainment Policy*

SLI(CF) requires that its employees do not offer or accept any gift, entertainment, or other financial or non-financial benefit which would cause, or appear to cause, a conflict with SLI(CF)'s fiduciary duties to its clients. Full details of restrictions and reporting requirements can be found in the Gifts & Entertainment Procedure.

*Political Contributions to Certain U.S. Political Campaigns*

Under Rule 206(4)-5 of the Investment Advisers Act of 1940, SLI (CF) employees are subject to restrictions on contributions to political campaigns in the United States. The Rule limits the political contributions (federal, state, and local) that investment advisers and certain current and prospective employees can make. In addition, allowable (exempted) contributions to U.S. political campaigns are subject to preapproval and reporting requirements. All SLI(CF) employees must receive preapproval prior to making political contributions. Full details of restrictions and reporting requirements can be found in the Contributions to Certain U.S. Political Campaigns Procedure.

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*Conflicts of Interest Policy & Conflicts of Interest Register*

A conflict of interest is defined as any situation where the interests of SLI and its subsidiaries, including its managers and employees, conflict with those of a client, or where there is a conflict between one client of SLI and another. All SLI(CF) employees are responsible for the identification of conflicts of interest, and notifying the compliance manager, chief compliance officer, or a person so designated by the compliance manager or chief compliance officer, who will ensure the conflict is added to the Conflicts of Interest Register. Full details pertaining to policy standards, procedures, responsibilities of employees, and escalation procedure can be found in the Conflicts of Interest Policy.

A complete copy of the Code is available upon request to the following:

Standard Life Investments (CF) Limited  
ATTN: Compliance Department  
1 Beacon Street, 34<sup>th</sup> Floor  
Boston, MA 02108

**11B. Securities Where SLI(CF) has a Material Financial Interest**

GARS may invest in pooled vehicles managed by SLI(CF) or its affiliates, which may pose conflicts of interest. SLI(CF) could make investments in underlying funds managed by SLI in order to earn additional investment advisory fees. To prevent conflicts such as this, SLI(CF) has controls in place which prohibit the earning of "double fees" on its advisory service.

SLI(CF) may also have other incentives to cause GARS to invest in collective vehicles it manages. For example, investments could be made for the purpose of stabilizing the flows of the underlying funds, in essence disguising what would otherwise appear to be investor redemptions. In addition, there may be marketing or other commercial advantages to investing in GARS' underlying funds. To mitigate conflicts such as this, we employ a tri-party arrangement where the needs of investors are clearly identified and implemented by the client manager, portfolio manager, and the investment governance team.

As previously mentioned in Item #6, as an FSA regulated entity, SLIL, the parent company of SLI(CF), is required to maintain a register of all conflicts of interest relevant to the business. This register includes large conflicts such as the ones pointed out within this document, as well as more minor conflicts that may not be as obvious or as easily pointed out.

In addition, as mentioned above and discussed further in Item #13 below, the Investment Governance program stands apart from the investment process and is responsible for ensuring client portfolios are being managed consistent with SLI(CF)'s fiduciary duty and the IMA.

**11C. Recommendation of Securities Held in Employee Accounts**

SLI(CF) employees may, from time to time, invest in securities which are recommended to clients. Such employee trading raises a potential opportunity for an employee to gain from knowledge of upcoming trades in client accounts (i.e. front running). Employees who manage client accounts may also trade for those accounts in a way that benefits his or her own beneficial holdings rather than client interests.

Employees of SLI(CF) may invest in securities issued by funds for which SLI(CF) serves as investment manager. In the U.S., a share class of a mutual fund for which SLI(CF) serves as adviser is offered through the defined contribution plan (401K plan). In the U.K. and Europe, similar shares of collective funds are offered to employees. This raises a potential conflict that superior investment opportunities, personnel, or other resources will be channelled to the

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funds in which employees have beneficial interest.

SLI(CF) has adopted policies and procedures to mitigate these conflicts and protect client interests. The personal dealing policy, described above, is designed to prevent employee's from trading in a manner inconsistent with the fiduciary duty owed to clients. The Investment Governance structure, described in Section 13 below, is designed to, among other things, monitor whether the investment process is adequately mitigating conflicts of interest.

**11D. Investing in the Same/Similar Securities for Personal Accounts as Client Accounts**

We may recommend to a client the purchase or sale of a security in which an employee has a financial interest. This may occur when a security is held in an employee's personal account.

Such a situation raises the possibility of a conflict of interest between the employee's personal account and the best interest of clients. For example, an employee may attempt to trade in securities prior to trading on behalf of client accounts (i.e. front running). Alternatively, an employee may seek to benefit from client trading activity by trading in the opposite direction (i.e. buy vs. sell) immediately following client trading.

We have adopted policies within its Code to address this conflict. Specifically, all personal trades, with limited exceptions, are required to be pre-cleared by the appropriate Head of the Desk handling that security (e.g. the Head of the U.S. Equity Desk). Pre-approval may only be granted when the trade will not cause a conflict, or the appearance of a conflict, with trading for client accounts.

We employ a blackout period of up to 5 days prior to client trades. However, in certain cases the blackout period may not be enforced. An example of this would be where a personal trade is approved when, in the best judgement of the Head of Desk, no trading in client accounts is anticipated. Subsequent, unforeseen, client trading within 2 days would not automatically cause the personal trade to be voided. Other exceptions to the blackout period may be granted by the Head of Desk when, in his/her best professional judgement and in light of fiduciary duty, such personal trading does not pose a conflict to client trading.

All personal trading is reviewed by the SLI(CF) compliance department for evidence of instances or patterns where personal trading could be interpreted to have been placed ahead of client interests.

*Other Conflicts – SLI(CF) Affiliates Acting as Fund General Partner or Directors:*

Affiliates or employees of SLI(CF) act as General Partner or Directors, respectively, for the private funds managed by SLI(CF). This raises a conflict of interest in that those affiliates or employees may act in a manner consistent with the interests of SLI(CF), affiliates, or employees rather than the Funds themselves.

SLI has established corporate governance structures to allow for the independent assessment of the operations of the funds. The Product Governance Team is responsible for assessing whether the Funds, including the Board and/or GP, are operating in a manner consistent with the Fund's legal documents and SLI's own internal governance philosophy and standards. The Fund Governance Team is responsible for assessing whether the investment operations of SLI(CF) are in alignment with the legal documents of the Fund and SLI internal management parameters.

The Board of SLI Gars includes the Investment Director, Product Management and Governance, as well as representatives from the Fund's own external counsel.

*Other Conflicts – Cross trades:*

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SLI(CF) may, from time to time, purchase (sell) for client accounts a security from (to) other client accounts (i.e. cross trades). Cross trades create a conflict of interest whenever there exists an incentive to favour one account over another. Examples would include (a) when certain clients pay performance fees while others do not, or (b) when SLI(CF) employees or affiliates own interests in the account or fund.

SLI(CF) has adopted policies and oversight to ensure that cross trades are conducted for the benefit of both participating clients. Rationale for each trade must be recorded and maintained for all crosses. In addition, the investment governance process oversees the methodology for crosses, and the Trade Management Oversight Committee reviews reporting monthly for cross activity.



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**Item #12 Brokerage Practices**

**12A. Broker Selection**

*Equity*

Unless otherwise agreed with the client, the selection of brokers or dealers to be used and the commissions paid is left to our discretion. Our fiduciary duty to our clients requires that we seek best execution when trading client assets. We take the position that best execution can be defined as the execution whose cost (both execution and research provided) represents the highest value to the client. Consideration of the value received enables SLI(CF) to determine whether the compensation to brokers is reasonable. Value includes many factors, the significance of which will vary depending on the type of security, size of trade relative to overall volume, and trading venue chosen. However, we usually consider the following factors when determining the value gained through execution: speed of execution, anonymity, information on current market conditions, willingness to provide capital, responsiveness, research provided, implementation costs, and access to trading opportunities.

*Fixed Income*

The unique challenges of trading in the fixed income markets are including, but not limited to, the lack of transparency and "imbedded" commissions, which make the determination of best execution more subjective than with other instruments (e.g. equities).

TradeWeb provides win ratio statistics to substantiate broker rankings in smaller trades. For larger trades, portfolio managers will rely on more subjective factors and an ongoing assessment of the quality of the dealing relationship with that counter-party. Determining factors will be the ease with which the trader deals with non-standard size (extra spread charge), willingness to accept 'risk' from our business, how they react to 'difficult' market circumstances in quoting a price, and general willingness to engage with us in reasonable negotiation over business. An ongoing perception of all of these qualitative factors will determine how a broker is regarded.

*OTC Derivatives*

We trade in derivatives (e.g. swaps) which occur off-exchanges, or over the counter. The nature of trade execution and settlement will depend on the instrument being traded. In this context, best execution is generally considered in terms of responsiveness of counterparty, liquidity provided, and terms of the contract. We conduct due diligence and monitor all counterparties with which we transact in these instruments. The Investment Governance team has responsibility for oversight of the exposures maintained to each counterparty.

*Foreign Exchange ("FX") Transactions*

More than 95% of our FX trading is executed via the multi-bank electronic dealing platform FX ALL. All FX transactions, which originate from authorized managers, are sent and received through what is referred to as Fix Connectivity via the Charles River Order Management System.

All FX trading is done with an authorized panel of banks. These banks are subject to approval by the Standard Life Investments Credit Committee after a full credit analysis. Bank performance is monitored by the FX trading desk and the panel is regularly reviewed. Up to ten panel banks can be requested to provide quotes for each trade or combination of trades. Normally, but not necessarily, five panel banks are used.

The FX ALL platform automatically highlights the best price for the transaction. Occasionally, when the FX desk believes that trading in competition will not produce the best possible result for our clients (i.e. for every large or market sensitive order), deals are executed directly to a panel bank via a recorded telephone line, and the completed deal information is input to existing authorized Charles River FX orders.

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For the small amount of "Restricted Currency" FX orders, the FX desk is required to rely on custodial banks for best execution.

1. Research through Soft Dollars

Consistent with our fiduciary duty, commissions paid to a broker in the trading of client assets may be higher than what might be charged by other brokers. Specifically, commissions may be greater than an "execution only" price when we reasonably determine that the amount of the commission was reasonable in relation to the research and brokerage services provided, viewed either in terms of the particular transaction or our overall responsibilities with respect to discretionary accounts.

We consider the value of the research received versus the cost of such research and services in the aggregate for all clients. That is, the research purchased through execution by one client or a group of clients may benefit those clients in particular, or other clients or groups.

We use soft dollars (also referred to as research credits) exclusively for the procurement of investment research. Such research may be provided by the broker with which we trade (i.e. proprietary research), or we may direct the executing broker to compensate another provider for its research from the available soft dollars (i.e. third party research).

Due to regulatory or self-imposed restrictions, certain of our clients may not allow commissions to be used other than for execution only. These restrictions may apply to some, or all, of the client's trades. These clients could still reasonably be expected to benefit from the research paid for by other clients' commissions. To the extent possible, we will make efforts to limit the implementation of such restrictions.

The receipt of research through the use of client commissions represents a potential conflict. That is, we receive research without having to pay for it directly. Therefore, we may opt to choose a broker based on the provision of soft dollar credits rather than execution-related factors alone. This conflict is controlled through written policies which create a distinction between the duties of (a) traders to seek best execution and (b) portfolio managers who independently judge the value of research received.

Traders monitor the quality of execution through both quantitative and qualitative metrics. Performance is captured through the use of broker report cards. The performance of brokers is communicated to them on a semi-annual basis in order to develop more effective relationships.

Portfolio managers conduct research votes on a semi-annual basis where the rationale for payments to providers is vetted and memorialized. The amount paid for research will depend, in the aggregate, on factors which include overall trading volumes. All services received through client commissions, or soft dollars, are consistent with the safe harbor created in Section 28(e) of the Securities Exchange Act.

The soft dollar program is monitored by the Trade Monitoring and Oversight Committee, which is represented by senior executives from portfolio management, trade desks, investment governance, and risk and compliance.

2. Brokerage for Client Referrals

Neither SLI(CF) nor any of its affiliates or employees receive client referrals from a broker-dealer or third party which could cause a conflict, or the appearance thereof, in selecting brokers for client trades.

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**3. Directed Brokerage**

We may permit, in limited circumstances, client directed brokerage. We maintain that directed brokerage may limit our ability to seek best execution. This is because directed brokerage may cause a client to not participate in the aggregation of other client orders. Such aggregation may offer those participating clients lower transaction costs or superior prices. In addition, clients whose trades are not aggregated with the orders of other client accounts may suffer adverse market impacts from the execution of the other orders.

**12B. Order Aggregation**

Consistent with our fiduciary duty, we will aggregate orders among client accounts to the extent possible. Aggregation of orders is generally seen as favorable to clients over time as it facilitates a comprehensive order strategy by the traders in the marketplace. Such a strategy is intended to minimize the imbedded impacts of trading (e.g. market price impacts) and control the "leakage" of trade intentions outside of SLI(CF). However, we make no warranty that trade aggregation would prove advantageous to any particular client in a specific circumstance.

Deviations from this allocation policy are allowed when, in the prudent judgment of the portfolio manager, such allocation is in the best interest of our client(s).

Deviations from this policy will also arise when client-imposed or regulatory restrictions exist which would make aggregation impossible. We believe that, over time, aggregation provides the benefits discussed above, and so accounts outside of allocations may not enjoy such benefits. In all trading we owe our clients a fiduciary duty and will make all reasonable efforts to ensure that no client is systemically disadvantaged.

In circumstances where a trade is not filled entirely, allocation among accounts will be made on a pro-rata basis. When there are insufficient shares to give every account in the order a de minimus amount of £10,000 (using the exchange rate from the prior night's close), SLI(CF) attempts to completely fill the smallest account first, then the second smallest account, etc ... until all shares are allocated. In situations when there are sufficient shares to give every account in the order a de minimus amount of £10,000, SLI(CF) allocates the de minimus amount across accounts that would receive less than the de minimus amount on a straight pro-rata allocation, then pro-rates the balance across the other accounts. Care will be given, to the extent possible, to minimize fees associated with the settlement of insignificant numbers of shares, that is trades that would result in a settlement of less than £ 10,000.

*Limited Offerings*

Consistent with our fiduciary duty, our investment professionals will consider a multitude of factors when deciding upon appropriate allocations of limited offerings (e.g. IPO, secondary offering, or other such equity placement.) Factors to be considered include, but are not limited to, the size of the portfolio (i.e. the availability of an allocation of shares deemed to be meaningful), the strategy of the portfolio, available cash, current risk profile, and other investment opportunities available concurrently.

In the event that we are allocated fewer shares than our expression of interest, a pro-rata allocation will be made to all participating accounts (i.e. those accounts where an meaningful allocation is possible) on the basis of order size. Exceptions to pro-rata allocations may be made when, in the prudent judgment of the Head of Desk for the Asset Class, and consistent with our fiduciary duty, such allocations would be in the best interest of clients.

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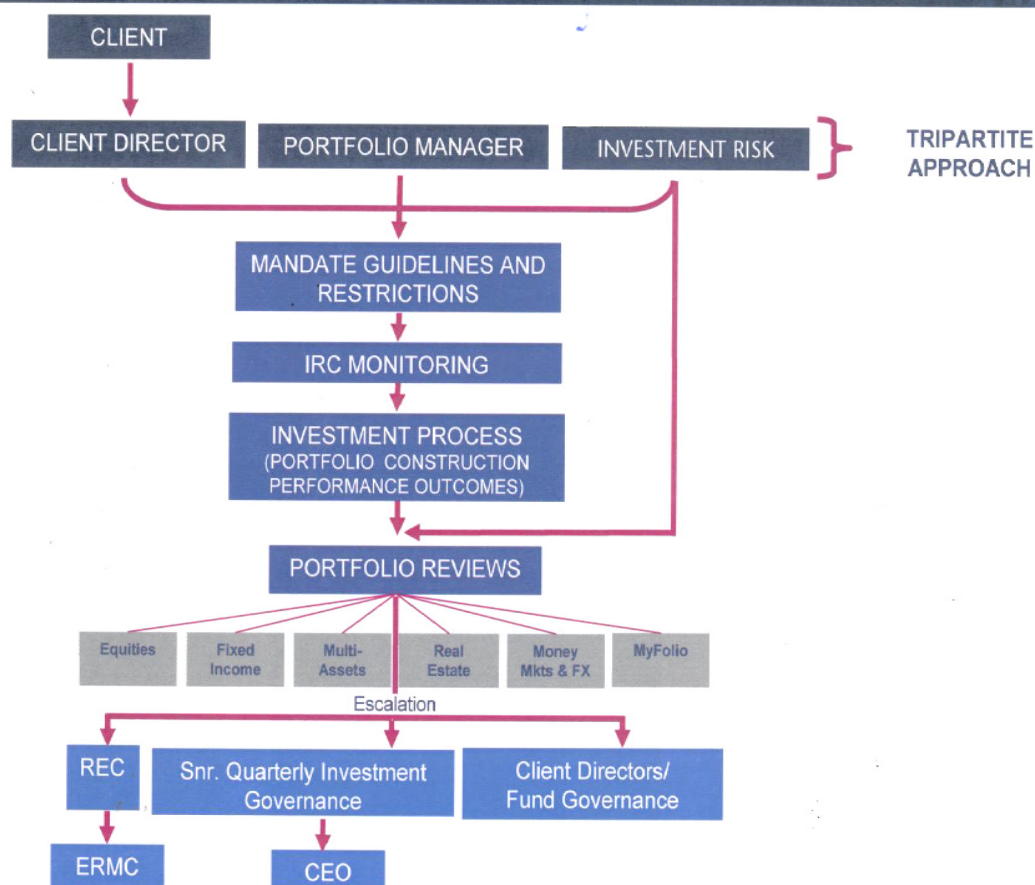
**Item #13 Review of Accounts**

**13A. Periodic Reviews**

For every client of SLI, there is an agreed upon mandate, which includes investment restrictions and guidelines. This mandate is agreed upon by a tri-party consultation between the Client Director, the Portfolio Manager(s), and the Investment Governance Team.

Investment Governance is responsible for periodic reviews, including daily monitoring of all restrictions and guidelines by the Investment Restrictions Control ("IRC") (part of Investment Governance), and regular monitoring and reviewing of risk information. In addition, Investment Governance is responsible for oversight of all SLI investment activities. The type of risk measurement used will vary according to the nature of the client portfolio.

## Investment Governance Approach



The Client Director is responsible for interfacing with the client and understanding the client's specific requirements and restrictions. These restrictions may be imposed directly by the client or may be based on the regulatory environment. Once a client comes on board, the Client Director will meet with the Investment Governance Team and Portfolio Manager(s) to discuss the parameters of the account. The Investment Governance Team is responsible for inputting the necessary restrictions and guidelines into SLI's trading system and monitoring each portfolio on a daily basis for adherence to all relevant restrictions and guidelines. The Portfolio Manager is responsible for the management of the portfolio in accordance with the client and regulatory restrictions, as well as our own account guidelines.

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On a quarterly basis, the Head of Investment Governance, or one of his designated Managers, carries out a portfolio review with the Head of each asset class. These discussions focus on the performance of the account, compliance with restrictions, risk information (e.g. tracking error) of the portfolios to its peers and benchmark, and any other relevant factors. Investment risk issues arising from the portfolio review are escalated and highlighted on a monthly basis to the Risk & Exposure Committee ("REC"), chaired by the Head of Investment Governance. Client Directors are briefed on a quarterly basis of any client related issues that are identified during the portfolio review, and any process related issues that arise are brought to the attention of senior management during the Senior Management Meeting, which is held quarterly.

*Conflicts of Interest:*

SLI(CF) may have an incentive to favour certain client accounts over others. For example, certain clients may pay performance fees while others do not, affiliates make investments in collective funds or exist as stand alone clients (e.g. SLAL), or employees may have made investments in certain funds. The conflict could manifest itself in many ways including, but not limited to, the inappropriate allocation of investment ideas, cross trades, or assignment of investment personnel.

The investment governance process, including the quarterly review, is designed to provide independent oversight of the investment process. This oversight will provide assurance that conflicts of interest have not manifested themselves in client performance dispersion, attribution (i.e. risk), or in process deviation.

**13B. Reviews Other than Periodic**

Reviews of client accounts may be triggered by any member of the tri-party arrangement, or by other interested parties (e.g. risk and compliance). Typical factors that would trigger a review include: changes in client needs or restrictions, new regulations, client complaints, changes in portfolio management, or the significance of warnings from the SLI trading system.

**13 C. Clients Reporting**

The content and timing of client reporting is driven by either the legal documents of the investment vehicle, or the needs of individual institutional investors. Typically, performance and attribution reports are provided monthly, with more expansive reports prepared semi-annually.

Ad-hoc (e.g. e-mail or non-written) client reporting is conducted to the extent requested by the client or as SLI deems appropriate.

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**Item #14 Client Referrals and Other Compensation**

**14A. SLI(CF) Receipt of Economic Benefit**

SLI(CF) has no arrangement, either written or oral, for the receipt of a direct economic benefit from a non-client related to the provision of advisory services to our clients.

**14B. SLI(CF) Payment for Client Referrals**

Neither SLI(CF) nor its related persons directly or indirectly compensates any other party for the referral of U.S. clients.

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**Item #15: Custody**

SLI(CF) does not maintain physical custody of client assets. However, under provisions of Rule 206(4)-2 under the Investment Advisers Act, SLI(CF) will be deemed to have custody because, for example, certain affiliates of SLI(CF) serve as general partners for limited partnership vehicles (i.e. the private funds). Physical custody for all client assets (for all client types) is maintained at a qualified custodian. The custodian will send, directly to the client, account statements monthly. Clients should carefully review these statements. In addition, SLI(CF) will provide account statements on a monthly basis. We urge our clients to review all statements, and to compare the account statements received from the qualified custodian with account statements received from SLI(CF). Any apparent exceptions in the reports should be brought to our attention at the address below:

Standard Life Investments (CF) Limited  
ATTN: Compliance Department  
1 Beacon Street 34<sup>th</sup> Floor  
Boston, MA 02108

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**Item #16: Investment Discretion**

SLI(CF) has investment discretion over its clients' accounts. We will consider limitations on this discretion, any and all of which would be clearly defined within the IMA.

*Prior to Accepting Discretion Over a Client's Account:*

The Client Director is responsible for interfacing with the client and understanding the client's specific requirements and restrictions. These restrictions may be imposed directly by the client or may be based on the regulatory environment. Once a client comes on board, the Client Director will meet with the Investment Governance Team and Portfolio Manager(s) to discuss the parameters of the account. The Investment Governance Team is responsible for inputting the necessary restrictions and guidelines into SLI's trading system and monitoring each portfolio on a daily basis for adherence to all relevant restrictions and guidelines. The Portfolio Manager is responsible for the management of the portfolio in accordance with the client and regulatory restrictions, as well as our own account guidelines.



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**Item #17: Voting Client Securities**

*Corporate Governance Principles:*

SLI(CF)'s overriding interest in corporate governance is that companies are governed in a manner consistent with the best interests of SLI(CF) clients. Our dedicated corporate governance team is an integral part of our investment management team. On behalf of our clients, we seek to improve shareholder value through constructive consultation and engagement with companies and wider corporate governance initiatives.

1. We will use reasonable endeavors to enhance and improve shareholder value through constructive consultation with companies and other corporate governance initiatives.
2. We will always seek to vote our clients' shares in a manner consistent with their best interests.
3. We will use reasonable endeavors to influence the development of the corporate governance environment.
4. We will communicate our corporate governance principles, policies and guidelines to clients, intermediaries, companies and other interested parties.
5. We will, within the constraints of professional confidentiality and legislative and regulatory requirements, be accountable to our clients.

SLI(CF) strongly encourages corporations to adopt corporate governance principles and communicate these to shareholders. These should be reviewed and updated annually. Management should adopt a process to ensure implementation and compliance is in place.

It is the policy of the Applicant to vote proxies for all shares under its discretion unless explicitly prohibited from doing so by the beneficial owner. However, this policy recognizes that circumstances may arise which make such votes impracticable. These include shares on loan (see section below), or where adequate notice is not received in time to make an informed decision. In addition, SLI(CF) will consider whether the effect of voting proxies of shares of foreign corporations (either by itself or with the votes of others) would outweigh the additional costs associated with voting.

*Conflicts of Interest:*

It is incumbent on an adviser to mitigate conflicts of interest (real or perceived) when voting proxies for its clients.

Conflicts may arise when SLI(CF) has a business relationship with the issuer, or when the issuer (or employees, benefit plans thereof) have established client accounts with SLI(CF) or its affiliates. In these cases, SLI(CF) will have an incentive to vote in favour of current management of the company. The corporate governance team is independent of the front office of SLI(CF), and maintains a list of sensitive clients (i.e. those client for which there is a heightened potential or real conflict of interest). Records of all voting rationales are retained. The risk and compliance team will review the quarterly voting records to assess whether any conflict appears to have manifested itself in voting.

The corporate governance team is responsible for proxy voting in all regions. The corporate governance team utilizes the services of independent third parties, Riskmetrics and Glass Lewis (together "proxy research providers"), to provide research and recommendations for each scheduled vote. Votes will be cast based upon the recommendations of the proxy research providers and the customized proxy voting guidelines adopted by SLI(CF) although, in cases where the Applicant has a significant shareholding, an independent analysis is also conducted by the corporate governance team. In appropriate cases, such as those where there is need for significant judgment as to the economic impacts of a proposed vote (e.g. merger, spin-off), the corporate governance team will solicit input from the appropriate fund

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managers and analysts. Any instances where proxy research provider recommendations are not followed are documented and include the rationale for doing so. A review conducted outside of the corporate governance team is undertaken to detect evidence of any conflict of interest (either real or perceived). The Applicant reviews, on an annual basis, the conflict of interest policies of the proxy research providers.

*ERISA Plan Assets:*

As a fiduciary to ERISA plan assets, SLI(CF) has an obligation of prudence and loyalty to vote proxies on issues that affect the value of plan assets. In voting proxies, SLI (CF) will consider those factors that may affect the value of plan assets and will not subordinate the interests of participants or beneficiaries to unrelated priorities. Notwithstanding the forgoing, SLI(CF) may consider shareholder activism (see Advocacy below) where there is a reasonable expectation that such activities (either by the plan alone or in combination with other shareholders) are likely to enhance the economic value of the plans' investment.

*Advocacy:*

As a leading global investment house, we take our responsibility as an investor seriously.

We consider company policies and practices on environmental social and governance matters as an integral part of the investment process. Where possible, we use our influence to encourage best practice standards in the management of these issues at the companies we invest in, with a view to protecting and enhancing the value of our clients' investments. Through this process of constructive engagement, we're able to contribute to the development of principles and standards of corporate governance and corporate responsibility.

We've also demonstrated our commitment to shareholder responsibility by becoming a signatory to the United Nations Principles for Responsible Investment (UNPRI), which has received endorsement from global investors representing over \$18 trillion. The Principles provide a framework for investors to give consideration to environmental, social and governance issues.

*Loaned Securities:*

Where clients of the adviser enter into securities lending arrangements with agent lenders to generate additional revenue, SLI(CF) will not be able to vote securities that are on loan under these types of arrangements. However, under rare circumstances, for voting issues that may have a significant impact on the investment, SLI(CF) may request that clients recall securities that are on loan if the adviser determines that the benefit of voting outweighs the costs of lost revenue to the client and the administrative burden of retrieving the securities.

A copy of SLI(CF)'s proxy voting guidelines and records of votes cast will be provided on request to the following:

Standard Life Investments (CF) Limited  
ATTN: Compliance Department  
1 Beacon Street, 34<sup>th</sup> Floor  
Boston, MA 02108

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**Item #18: Financial Information**

**18A. Financial Information if Prepayment of Fees is Required**

SLI(CF) does not require the prepayment of advisory or other fees.

**18B. Financial Information if Discretionary Authority**

SLI(CF) is a wholly owned subsidiary of SLIL, in turn a wholly owned subsidiary of Standard Life Investments (Holdings) which is a wholly owned subsidiary of Standard Life PLC. Complete financial information for Standard Life PLC is available through public filings. SLI(CF) is not aware of any financial condition which is reasonably likely to impair its ability to meet its contractual commitments to its clients.

**18C. Bankruptcy**

Neither SLI(CF), nor any of its affiliates, have been the subject of a bankruptcy petition.