

# FORM ADV Part 2A Brochure

## ING Investment Management International LLC

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This Form ADV Part 2A (the "Brochure") provides information about the qualifications and business practices of ING Investment Management International LLC ("IIMI"). If you have any questions about the contents of this Brochure, please contact IIMI's Legal and Compliance Department at (212) 292-3979. The information in this brochure has not been approved or verified by the United States Securities & Exchange Commission ("SEC") or by any state securities authority.

IIMI is a registered investment adviser. Registration with the SEC does not imply a certain level of skill or training.

Additional information about IIMI is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. IIMI's CRD number is 165092. The SEC's web site also provides information about any persons affiliated with IIMI who are registered, or are required to be registered, as investment adviser representatives of IIMI, as well as disciplinary and other background information regarding IIMI. In order to make it easy for clients to receive and retain the brochure in the most timely and efficient manner possible, as well as to save needless waste and expense, whenever possible IIMI would like to provide the brochure to clients electronically.

## **Item 2 – Summary of Material Changes**

This Brochure dated November 20, 2013 serves as an update to the brochure dated March 28, 2013. Since that time, there have been the following material changes:

1. The members of the global Emerging Markets Debt boutique, including several employed by IIMI, that left the company have now been replaced.

2. Item 4 has been revised to include the following language:

Client accounts managed by IIMI are also simultaneously co-managed by our affiliated investment advisers in Europe and Asia and are not segregated into separate “sleeves” for each investment adviser. As a result, our affiliated investment advisers in Europe and Asia may effect transactions and investments in these same client accounts that are permissible under European or Asian rules and regulations, but may not be permissible or present potential conflicts of interest under SEC rules and regulations.

3. Item 10 has been revised to include the following language:

IIMI may purchase securities for its client accounts, generally, from an unaffiliated broker-dealer in the primary market (e.g., equity IPO or bond new issue) in which an affiliated broker-dealer is a member of the offering/selling syndicate. The affiliated broker-dealer may be a lead manager, co-manager, placement agent, adviser, or member of the syndicate group. IIMI may not receive fees for effecting this transaction for our client accounts; however, our affiliated broker-dealer may receive management, underwriting, selling concession, and other fees relating to this offering.

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## **Item 4 - Advisory Business**

### **Our Firm**

ING Investment Management International LLC ("IIMI") is a Delaware limited liability company formed in 2011. IIMI is a wholly-owned subsidiary of ING Investment Management Holdings N.V., which in turn is a wholly-owned subsidiary of ING Insurance EurAsia N.V., which in turn is a wholly-owned subsidiary of ING Verzekeringen N.V., which is a wholly-owned subsidiary of ING Insurance Topholding N.V., which is a wholly-owned subsidiary of ING Groep N.V. ING Groep N.V. is a publicly-listed company, headquartered in Amsterdam, The Netherlands.

### **Our Services**

The primary objective of IIMI is to provide investment advisory services to both U.S. and non-U.S. investment vehicles and separate account clients. The investment vehicles may include, but are not limited to, registered investment companies (open-end and closed-end funds), public and private pension plans, and non-US registered and unregistered funds including UCITS funds and SICAVs. Utilizing global resources through its affiliates in Europe and Asia, IIMI offers a variety of equity and fixed income strategies to certain clients of its affiliates. IIMI provides recommendations and investment advice to affiliates, which include SEC-registered investment advisers as well as unregistered non-US entities, and their clients. Additional information about affiliates can be found under Item 10 in this brochure. The investment advice may include model portfolios and other information regarding the construction and maintenance of portfolios, which may be used by affiliates in the management of their clients' assets.

IIMI will tailor its advisory services and investment guidelines to the individual needs of clients for separately managed accounts. In addition, clients generally may impose their own investment restrictions. The types of financial instruments that may be used are outlined in an agreement entered into between IIMI and the client. For registered investment companies and other collective investment funds, the types of financial instruments that may be used are generally set forth in the prospectus or other applicable offering document.

IIMI's ultimate parent entity—ING Groep, N.V.—has developed the ING Defence policy which restricts investments in certain firms involved in certain aspects of the defense or weapons industry. ING Groep, N.V. has also developed other investment policies that take Environmental, Social and Governance factors into account. Any of these policies may be implemented at a client's discretion (for some clients, imposing these types of investment restrictions may not comply with applicable law). Additional information about these policies can be obtained from IIMI upon request. IIMI is also willing to work with clients on implementing their own policies of this nature.

### **Assets Under Management**

Assets managed by IIMI are generally discretionary in nature, although from time-to-time non-discretionary mandates may be accepted. As of March 26, 2013, IIMI managed \$2,121,823,356 of discretionary assets and zero in non-discretionary assets.

### **Investment authority**

Subject to any contractual terms and/or written guidelines which the client may provide, IIMI normally has complete discretion and authority to manage client accounts. IIMI, as the client's agent and attorney-in-fact, generally holds a limited power of attorney to act without prior consultation or consent from the client. Accordingly, IIMI is generally authorized to perform various functions, at the client's expense, without further approval from a client, except as required by law, including: (a) to make all investment decisions; (b) to buy, sell, and otherwise trade in securities; (c) to issue instructions to the custodian for operational matters of the account for such items as tender offers and reorganizations; and (d) to select brokers or dealers to execute securities transactions. With respect to many clients,

IIMI may enter into swaps and other derivatives and may execute ancillary documents on their behalf. In certain instances, IIMI may enter into arrangements with its clients where IIMI obtains client approval prior to execution of a trade or provides the client with investment recommendations which the client, in its sole discretion, may implement.

In some situations, IIMI and/or its affiliates may provide administrative, trading, marketing and other support services for affiliates, where the entities are responsible for making portfolio management decisions. For example, IIMI or an affiliate may provide trading desk, research, or similar support services for affiliated investment advisers. IIMI's portfolio management and research teams are part of larger global teams located throughout Europe and Asia.

Generally, the client accounts managed by IIMI are also simultaneously co-managed (under separate investment (sub)-advisory agreements) by our affiliated investment advisers in Europe and Asia. Normally, the client accounts are not segregated into separate "sleeves" for each investment adviser. Rather, the client accounts are maintained on the same system, hosted by our affiliate in Europe, for activities such as portfolio management, trading, risk management, compliance monitoring, settlement, etc. As a result, our affiliated investment advisers in Europe and Asia may effect transactions and investments in these same client accounts that are permissible under European or Asian rules and regulations, but may not be permissible or present potential conflicts of interest under SEC rules and regulations.

IIMI may enter into outsourcing arrangements, including backoffice support, with affiliated and unaffiliated entities. For instance, IIMI uses the back-office operations of its affiliates in Europe for trade processing, settlement, accounting, corporate actions, valuation, fee calculation, calculating and publishing Net Asset Values ("NAV"), if applicable, etc. for its affiliated and unaffiliated client accounts. In addition, IIMI's affiliates in Europe may implement and maintain certain portfolio management, trading, risk management, legal, and compliance systems on behalf of IIMI. Affiliates located in The Hague, The Netherlands provide risk management oversight, such as monitoring of client accounts' investment guidelines and restrictions and the execution of OTC derivatives, counterparty exposure monitoring, and reviewing and approving broker-dealers to be used for IIMI's client accounts. IIMI's affiliates in Europe are also responsible for account opening, anti-money laundering checks, account maintenance, trade support for IIMI's accounts and providing IIMI's technology platform.

## **Item 5 - Fees and Compensation**

### **General Fee Structure**

Generally, IIMI's fees for providing investment management services will be based upon a percentage of the market value of assets under management and are typically payable quarterly in arrears based on the quarter-end market value, although clients may request other billing arrangements from time to time. Fees and account minimums may be subject to negotiation. In some cases, certain clients may pay lower fees than others or have other unique arrangements that other clients in the same investment strategy do not have. For example, investors providing large or initial investments in a fund may have specially tailored arrangements with IIMI with respect to their investment in that fund. These arrangements are entered into only where the fund will not be harmed and IIMI determines that it can continue to meet its fiduciary duties. IIMI may also receive fees or reimbursements from individuals or financial institutions, including affiliates, for various services or publications it provides.

For its services as a sub-adviser to certain clients, IIMI receives a sub-advisory fee. Certain clients may elect to authorize an affiliate of IIMI to directly debit fees from their accounts. The affiliate will then pay a portion of that fee to IIMI in connection with its provision of investment management services to that client. The fees payable to IIMI are outlined in the various sub-advisory agreements between IIMI and its affiliates. The fees for these sub-advisory services are based on the assets under management by IIMI. The current fees for the services provided by IIMI to its affiliates are generally as follows:

#### **Equity**

Latin American Equity: Fees generally 0.19 %  
US Equities High Dividend: Fees generally 0.19%

#### Fixed Income

US High Yield /Global Investment Grade Credit : Fees generally range from 0.12% to 0.37%  
Emerging Markets Debt: Fees generally range from 0.09% to 0.36%

Either the client or one of IIMI's affiliates in Europe will calculate the fee based on the investment advisory agreement between the client and the IIMI affiliate.

#### **Valuation and Pricing**

Unless provided for otherwise in the investment advisory agreement, standard pricing services and/or methodologies generally are used to determine the market value of a client's account. In this regard, IIMI's affiliates will generally use and rely on external vendors for information such as pricing, ratings, type of security (e.g., Rule 144A, Reg S) and other relevant factors. While these vendors are generally reliable, from time to time the information they provide may be inaccurate or stale; this may impact the pricing or categorization of an account's holdings. IIMI may invest in securities or instruments on behalf of its clients that have no trading market or are otherwise difficult to value, in which case its affiliates will determine a price for such portfolio holding using "fair value" pricing methodologies. In these situations, our affiliates will elicit input from a number of external and/or internal sources (e.g., "matrix pricing" or other pricing services, portfolio managers, finance, etc.) and determine what it believes to be a representative or "fair" price for the holding. For some investments there may be only one counterparty or broker-dealer that can provide a reliable price quotation. These determinations may involve a significant amount of judgment and in some cases may differ substantially from prices that are ultimately realized in a transaction. In addition, where different accounts or funds are governed by different pricing policies and/or have different custodians, it is possible that the same security or instrument could be assigned different valuations.

IIMI's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investments, and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds, exchange-traded funds, and other commingled funds will also charge management fees, distribution fees, and other operating expenses, which are disclosed in a fund's prospectus or offering documents. Such charges, fees and commissions are exclusive of and in addition to IIMI's fee. Brokerage expenses and related trading costs are discussed more fully in Item 12.

#### **Compensation for the Sale of Securities and Investment Products**

ING Investment Management LLC and ING Investment Management Advisors B.V., both SEC registered advisers and affiliates of IIMI, have entered into solicitation arrangements whereby each party has been engaged to solicit and refer clients for the other party. ING Investment Management LLC has been engaged to solicit clients for ING Investment Management Advisors BV in the United States, Canada and the Caribbean (including Bermuda) pursuant to a solicitation agreement and ING Investment Management Advisors BV has been engaged to solicit clients for ING Investment Management LLC in all countries except the United States, Canada and the Caribbean (including Bermuda) pursuant to a solicitation agreement. ING Investment Management Advisors B.V. is primarily responsible for sales and business development for IIMI. IIMI generally does not directly solicit clients or engage in sales activity and does not employ sales or business development staff.

#### **Termination of Advisory Agreements**

Investment advisory agreements between IIMI and its clients may be terminated by either party, pursuant to the notice requirements specified in the respective investment advisory agreements.

Typically, the sub-advisory agreements IIMI enters in to include notice requirements which are generally equal to 60 days or less. Upon the termination of the investment advisory agreement, IIMI will generally have no obligation to recommend or take any action with regard to the securities, cash or other investments in the account. IIMI is typically entitled to the pro-rata portion of the earned fee when an investment advisory agreement has been terminated, generally inclusive of any notice period. Refunds will not typically apply as fees are generally paid in arrears, based on the size of the account on the last day of the preceding quarter. If a client opts to pay its management fees in advance and the applicable investment advisory agreement is ultimately terminated prior to the end of the billing period, the management fees will be pro-rated for the portion of the billing period in which the agreement was in effect and IIMI will issue the client a refund for any excess fees.

## **Item 6 - Performance-Based Fees and Side-By-Side Management**

### **Performance-based fees**

IIMI does not expect to charge performance-based fees for any of its accounts.

### **Allocations and related matters**

IIMI seeks to allocate investment opportunities in a manner that it believes to be in the best interest of all its funds and accounts, however there can be no assurance that a particular investment opportunity will be allocated in any particular manner. Among the factors that can impact allocation and investment decisions across funds or accounts are differing investment strategies and objectives, account restrictions, risk parameters, cash flows, liquidity needs, tax considerations and other factors. In general, allocations of initial public offerings ("IPOs") are made on the basis of pre-established criteria across those eligible accounts or funds seeking to purchase the securities and for which the securities are appropriate and suitable.

IIMI may, but is not obligated to, combine or aggregate purchase or sale orders for the same security for various clients, including affiliates' clients for which IIMI's affiliated central trading desk in Europe provides trading support services, in an effort to seek more favorable execution or lower commission costs. When transactions are aggregated, third-party client accounts will not be favored over each other. However, certain accounts such as the general accounts of affiliated ING insurance companies, which are deemed to be proprietary accounts, may receive an allocation after third party client accounts, as required by Dutch securities regulations. IIMI outsources trading to the central trading desk located in The Hague, the Netherlands and managed by IIMI's European affiliates, for all its equity accounts (and may do so for fixed income accounts), in which case allocation decisions are made by the central trading desk.

## **Item 7 - Types of Clients**

IIMI provides investment management services to the clients of certain affiliates, through sub-advisory arrangements. The clients are all non-US. Sub-advised funds are marketed and distributed outside the US. In the future, IIMI may also provide sub-advisory services, through its affiliates, to U.S. institutional clients, including public pension plans, ERISA plans and mutual funds. While IIMI currently provides advisory services only to affiliates, IIMI may provide recommendations and investment advice directly to a unaffiliated clients in the future.

IIMI provides sub-advisory services for institutional client portfolios. Generally, the minimum size for opening and maintaining separately managed institutional equity and fixed income portfolios ranges from \$25 million to \$50 million depending upon the specific investment strategy. More complete information regarding minimum size for mutual funds, private funds, commingled funds and other funds or accounts are set forth more fully in the particular fund's prospectus or other applicable offering documents or in the account's investment advisory agreement. Affiliates, including ING Investment Management Advisors B.V., ING Asset Management B.V. and ING Fund Management B.V., provide advisory services to affiliated and non-affiliated corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, municipalities, mutual funds, private



investment funds, commingled trust funds, trust programs, sovereign funds, non-US funds such as UCITs, and other institutions. IIMI may enter into sub-advisory agreements with these affiliates to provide services to these types of clients.

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

With an emphasis on active management, IIMI's investment mission is to find unrecognized value ahead of consensus. To this end, our portfolio management teams seek original insights on markets and securities and a vision of investment potential that differs from the consensus view. IIMI applies proprietary research and analytics, global resources, portfolio diagnostics and risk management to the development of investment products and solutions in pursuit of our clients' objectives.

### **Equity**

The equity disciplines of IIMI and its affiliates are organized as a series of discrete competencies managed by specialist teams and supported by centralized quantitative and sector-specific fundamental research. IIMI believes that fundamental analysis by seasoned sector analysts adds value by creating a proprietary information advantage to develop original insights into the pricing of securities and expectations for companies and asset classes. Collaboration between our experienced analysts and the dedicated investment teams provides a constant exchange of investment ideas and information that are used to benefit our clients through a more insightful decision-making process.

#### **Emerging Markets Equity LatAM (Latin America)**

The investment mission of IIMI's Emerging Markets Equity LatAm is to identify investment opportunities ahead of consensus through proprietary research and deliver value to clients in a highly risk controlled and transparent manner. IIMI's Emerging Markets Equity LatAm strategy is guided by a rigorous management oversight and review process - investors managing investors - and is supported by robust operational and service infrastructure.

#### **US Equities High Dividend**

The investment mission of IIMI's US Equities High Dividend professional is to outperform the benchmark over a full market cycle with lower volatility and higher dividend yield using active portfolio management and alpha generation from bottom-up stock selection. IIMI's US Equities High Dividend strategy selects names expected to offer value using a fundamental, valuation driven investment style.

### **Fixed Income**

IIMI and its affiliates believe that a disciplined investment process with macro-theme analysis built into every step will capture market changes and guide IIMI to unrecognized value opportunities ahead of consensus. To harness the potential of IIMI's global resources, far-reaching and well integrated information sharing is necessary to fully exploit market potential and generate superior returns. The investment process includes a balanced emphasis on quantitative and qualitative inputs that foster checks and balances and validation for IIMI's investment themes. Top-down macro themes shape overall strategy and also provide the context for IIMI's bottom up security selection. Proprietary risk management tools and processes help to monitor portfolio risk exposures.

#### **Global and US High Yield**

The investment mission of IIMI's US High Yield team is to outperform the relevant benchmarks via active management using robust and disciplined investment processes. Fundamental credit analysis by IIMI's US High Yield team is the starting point for every investment decision. After understanding the risk profile, the team assesses long term and short term attractiveness of each investment opportunity and ranks these to identify the best investment ideas. There is ongoing monitoring of the



credit profile and relative value of portfolio holdings, as well as issuers that are not currently in a portfolio.

### Emerging Markets Debt

The investment mission of IIMI's Emerging Markets Debt team is to outperform the relevant benchmarks using a consistent, disciplined investment process. IIMI believes that emerging markets debt is an asset class for which research is critical, and where diversification augments success while limiting downside risks.

### Global Investment Grade

The investment mission of IIMI's Global Investment Grade team is to outperform the relevant benchmark via active management based on proprietary research and risk-aware implementation. IIMI believes that the Global Investment Grade team can achieve an information advantage in global credit markets through diligent top-down and bottom-up research aimed at identifying unrecognized value ahead of consensus and that by exploiting this information advantage, the Global Investment Grade team can achieve consistent and repeatable outperformance.

## **Risks**

Investing in securities involves a risk of loss that clients should be prepared to bear. Clients should understand that investment decisions made by IIMI are subject to various market, currency, economic, political and business risks, and that IIMI's investment decisions will not always be profitable. IIMI does not guarantee the future performance of client accounts, any specific level of performance, or the success of any investment decision or strategy that IIMI may use. Set forth below are the key investment risks associated with the investment techniques or instruments that may be used by IIMI as well as IIMI's investment strategies and methods of analysis. Any of the following risks, among others, could affect performance or cause an investment to lose money or to underperform market averages. Clients should be aware that not all of the risks listed below will pertain to every account as certain risks may only apply to certain strategies. In all cases, a client should review applicable offering documents and/or the applicable investment management agreement, which will address relevant risks.

### **General Investment Risks**

1. **Company.** The price of a given company's stock could decline or underperform for many reasons including, among others, poor management, financial problems, or business challenges. If a company declares bankruptcy or becomes insolvent, its stock could become worthless.
2. **Convertible Securities.** Convertible securities are securities that are convertible into or exercisable for common stock at a stated price or rate. Convertible securities are subject to the usual risks associated with debt securities, such as interest rate and credit risk. In addition, because convertible securities react to changes in the value of the stocks into which they convert, they are subject to market risk.
3. **Credit & Counterparty.** Credit risk is the risk that the issuer of a security, or the counterparty to an agreement or contract, such as OTC derivatives, may be unable or unwilling to meet its financial obligations.
4. **Currency.** To the extent that a client account invests directly in foreign currencies or in securities denominated or that trade in foreign (non-U.S.) currencies, it is subject to the risk that those currencies will decline in value relative to the U.S. dollar or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged.

5. **Derivative Instruments.** Derivative instruments are subject to a number of risks, including the risk of changes in the market price of the underlying securities, credit risk with respect to the counterparty, risk of loss due to changes in interest rates and liquidity risk. The use of certain derivatives may also have a leveraging effect which may increase volatility and reduce returns. When derivatives are used for hedging, which is designed to reduce or mitigate losses, it can also reduce or eliminate gains. The use of derivatives for non-hedging purposes may be considered more speculative than other types of Investments due to its leveraging effects.
6. **Foreign Investments.** Investing in foreign (non-U.S.) securities may result in more rapid and extreme changes in value than an investment exclusively in securities of U.S. companies due to smaller markets, differing reporting, accounting and auditing standards, and nationalization, expropriation or confiscatory taxation, foreign currency fluctuations, currency blockage, political changes or diplomatic developments. For some foreign countries, there are additional risks with the settlement of trades.
7. **Interest Rate.** Fixed income securities are subject to interest rate risk because the prices of fixed income securities and interest rates are inversely correlated. When interest rates rise, fixed income security prices fall. When interest rates fall, fixed income security prices rise. Generally, fixed income securities with longer maturities are more sensitive to these price changes. In addition, falling interest rates may cause the income for client accounts to decline.
8. **Liquidity.** If a security is illiquid, IIMI might be unable to sell the security at a time when desired, and the security could have the effect of decreasing the overall level of an account's liquidity. Further, the lack of an established secondary market may make it more difficult to value illiquid securities, which could vary from the amount realized upon disposition. IIMI may make investments that become less liquid in response to market developments or adverse investor perception. A client could lose the value of its investment if IIMI cannot sell a security at the time and price that would be most beneficial to a client.
9. **Portfolio Management.** Each client is subject to portfolio management risk. IIMI will apply investment techniques and risk analyses in making investment decisions for a client, but there can be no guarantee that these decisions will produce the desired or expected results.
10. **Market.** Stock prices are volatile and are affected by the real or perceived impacts of such factors as economic conditions and political events. The stock market tends to be cyclical, with periods when stock prices generally rise and periods when stock prices generally decline. Any given stock market segment may remain out of favor with investors for a short or long period of time, and stocks as an asset class may underperform bonds or other asset classes during some periods.
11. **Market Capitalization.** Stocks fall into three broad market capitalization categories- large, mid and small. Investing primarily in one category carries the risk that, due to current market conditions, that category may be out of favor with investors. If valuations of large capitalization companies appear to be greatly out of proportion to the valuations of mid capitalization or small capitalization companies, investors may migrate to the stock of these companies causing an investment in these companies to increase in value more rapidly than an investment in large- capitalization companies. Investing in mid and small capitalization companies may be subject to special risks associated with narrower product lines, more limited financial resources, smaller management groups, and a more limited trading market for their stock as compared with larger companies. As a result, stock of mid and small capitalization companies may decline significantly in market downturns.
12. **Securities Lending.** Securities lending involves two primary risks: "investment risk" and "borrower default risk." Investment risk is the risk of loss of the cash collateral received from the borrower. Borrower default risk is the risk that an investment will lose money due to the

failure of a borrower to return a borrowed security in a timely manner. Securities lending activities may incur negative tax consequences for a client.

## **Investment Strategy Risks**

In addition to the risks involved with various instruments and markets noted above, various investment strategies also may entail unique risks. Several of these risks are set forth below.

**Equities.** IIMI recommends equity securities to its clients. Equities can be of various types, such as common stock or preferred stock, and generally are subject to market, company-specific and liquidity risks.

**Fixed Income.** IIMI recommends fixed income securities to its clients, which can include a wide array of debt instruments, including investment grade debt, government securities, corporate debt, money market instruments, mortgage-backed securities, non-investment grade (or “high yield”) debt, credit-linked notes, structured securities, emerging market debt, and others. To varying degrees—and depending on the particular instruments—fixed income securities are subject to interest rate, credit, liquidity, counterparty, and geopolitical risks among others.

**High Yield Securities.** High-yield securities are subject to greater levels of credit and liquidity risks. High-yield securities are considered primarily speculative with respect to the issuer’s continuing ability to make principal and interest payments.

**Emerging Markets.** These markets are often in developing countries and tend to be more volatile and risky than more established trading markets. In addition, the instruments and investments of emerging markets often carry higher credit, company, liquidity, and geopolitical risks.

## **Item 9 - Disciplinary Information**

As part of a large, global financial services company, IIMI’s affiliates may be involved in disciplinary, regulatory or other legal matters from time to time, as well as being subject to examinations, investigations and inquiries from governmental and regulatory authorities.

Neither IIMI nor its management has been involved in any legal or disciplinary events in the past ten years that would be material to a client’s evaluation of IIMI or the integrity of IIMI’s management.

For more information on disciplinary and legal matters that may involve IIMI or certain of its related companies, see Item 11 of our Form ADV-Part 1A, available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

IIMI is part of a large, global financial services company and, as such, has relationships and affiliations with many other entities engaged in the financial services industry. IIMI’s ownership structure is explained more fully in Item 4. Aside from being registered as an investment adviser with the SEC, IIMI may also determine to register in various non-U.S. jurisdictions depending on business needs and regulatory requirements.

### **Registrations of Management Persons as Broker-Dealers or Registered Representatives of Broker-Dealers**

None of IIMI’s employees are registered as registered representatives of a broker-dealer. IIMI’s management persons may register in the future.

### **Registrations of Management Persons as Futures Commission Merchants, Commodity Pool Operators or Commodity Trading Advisors**

None of IIMI's management persons are currently registered, or have an application pending to register, as as a futures commission merchant, commodity pool operator, commodity trading advisor, or associated person of the foregoing entities. IIMI's management persons may register in the future.

### **Affiliations and Conflicts of Interest**

IIMI seeks to act in the best interest of its clients. Nevertheless, there are circumstances where conflicts of interests could arise. As noted above, IIMI has relationships and affiliations with many entities engaged in the financial services industry and some of these can create conflicts of interest. IIMI engages in business activities with some of these affiliated entities. Various global policies and procedures have been implemented to ensure that IIMI acts in the best interests of its clients. Certain affiliations viewed as potentially material to IIMI are listed below:

### **Sub-Adviser and Other Services**

IIMI may engage in sub-advising, consulting, product development or other initiatives on behalf of affiliates of ING Groep N.V., the ultimate parent company of IIMI as described more fully below.

### **Affiliated Investment Advisers**

IIMI's primary business is sub-advising portfolios managed by affiliated investment advisers. IIMI, through a common ultimate parent company, is affiliated with a number of SEC-registered and non-SEC registered investment advisers, sharing officers and other personnel. As noted above, IIMI may act as a sub-adviser to client accounts advised by affiliates. These affiliates provide services in relation to client accounts sub-advised by IIMI. IIMI relies on the infrastructure and significant resources of affiliates when providing investment advisory services to client accounts such as research, middle and back office operations and trade reconciliation, client reporting, performance measurement and valuation of accounts, fee billing, trading and ancillary trading services, IT networks and support, compliance monitoring, etc. The primary functions performed by IIMI are investment advice, local business management and legal, compliance and risk monitoring as required. The fees paid by IIMI and affiliates are allocated depending on the respective services being provided and are paid in accordance with the relevant sub-advisory or other service agreement.

### **Broker- Dealers**

IIMI has affiliated broker-dealers, such as ING Financial Markets LLC, ING Capital LLC, and ING Investment Distributors LLC ("IID"). Generally, IIMI does not have significant business relationships with these broker-dealers and will not place trades with affiliated broker-dealers, unless permitted by law, and in compliance with applicable rules and regulations. Affiliated broker-dealers may make markets in certain over-the-counter securities and in connection with such activities maintain an inventory in the securities in which it makes markets. See Item 11 below for more details. Execution of transactions through an affiliated broker-dealer can result in a conflict of interest, in that the affiliate may profit from such commissions or other fees on such transactions. These transactions are governed by applicable rules and regulations and disclosure requirements designed to inform clients of the potential conflicts of interest and reduce their potential impact. IIMI will provide sub-advisory services to Luxembourg domiciled funds managed by its affiliates who have entered into a solicitation agreement with IID whereby IID sells these Luxembourg domiciled funds outside the US.

### **Insurance Companies**

Currently, IIMI's affiliate, ING Insurance, is invested in certain investment vehicles to which IIMI may provide investment sub-advisory services. ING Insurance is the largest and most influential since our asset management business are controlled by the insurance parent companies.

ING Insurance's Nationale Nederlanden Levensverzekering Maatschappij N.V. and Nationale Nederlanden Services N.V. both act as distributors outside the US for non-US investment vehicles for which IIMI provides investment advisory services.

### **Banking or Thrift Institutions**

ING Bank, an affiliate, acts as a distributor outside the US for non-US investment vehicles for which IIMI provides investment advisory services. The investors generally make their own independent investment decisions as to whether to invest in these investment vehicles. In certain circumstances, ING Bank may make the decision to invest in such vehicles on behalf of non-US investors.

IIMI may purchase securities for its client accounts, generally, from an unaffiliated broker-dealer, during an underwriting or other offering of such securities in the primary market (e.g., equity IPO or bond new issue) in which an affiliated broker-dealer (e.g., ING Bank or ING Financial Markets) is a member of the offering/selling syndicate. The affiliated broker-dealer may be a lead manager, co-manager, placement agent, adviser, or member of the syndicate group. IIMI may not receive fees for effecting this transaction for our client accounts; however, our affiliated broker-dealer may receive management, underwriting, selling concession, and other fees relating to this offering. This could give rise to a conflict of interest or the appearance of a conflict of interest in that our affiliated broker-dealer will profit from such transactions.

### **Sharing Affiliated Resources**

IIMI and its affiliates may leverage each other's resources, services and expertise such as IT infrastructure, equipment and programs, operational and investment related systems and staff, office space, global policies, audit and other procedures, service contracts, licenses, etc. IIMI may also provide or receive investment advice or engage in sub-advisory, marketing, product development or other arrangements with affiliates or unaffiliated entities. Most notably, IIMI has entered into servicing, solicitation, and employee-sharing agreements with affiliated investment advisers relating to, among other things, portfolio management, research, trading, and operational support. IIMI may agree to provide trading, research, and other support services to affiliated and unaffiliated entities. In arrangements with affiliates, the fees charged, if any, vary depending upon the nature of the services provided by each entity. Under the solicitation arrangements, clients do not pay higher fees than they would have if they had not been introduced to the adviser through an affiliate. If affiliates solicit clients on behalf of each other, they generally share the revenue or otherwise pay or receive compensation directly to or from each other depending on the nature of the services involved and based on the respective assets under management.

### **Business Relationships**

IIMI has business relationships with the following affiliates:

- **ING Investments LLC** – based in Arizona and registered as an investment adviser with the SEC, acts as investment adviser to certain ING funds. ING Investment Management Advisors B.V. acts as subadviser to some of these ING funds and they may use research and investment recommendations provided by IIMI employees.
- **ING Investment Trust Co.** – based in Connecticut; this limited purpose Connecticut trust company manages common and collective trust funds. ING Investment Management Advisors B.V., may act as subadviser to some of ING Investment Trust Co.'s common and collective trust funds for several select strategies. IIMI may share personnel with ING Investment Management Advisors B.V. in order to provide portfolio management and trading support for such strategies.
- **ING Asset Management B.V.** – based in The Hague, The Netherlands and licensed by the Autoriteit Financiële Markten (AFM). This entity provides investment advisory services to

institutional clients outside the US. ING Asset Management B.V. may sub-delegate portfolio management and trading activities for certain unaffiliated client accounts to IIMI.

- **ING Fund Management B.V.** – based in The Hague, The Netherlands and licensed by the AFM. This entity provides investment advisory services to affiliated Dutch funds. ING Funds Management B.V. is also the management company responsible for the management and administration of the affiliated Dutch funds. These funds are currently marketed and sold only in The Netherlands. ING Fund Management B.V. may sub-delegate portfolio management and trading activities for certain Dutch funds to IIMI.
- **ING Investment Management Advisors B.V. (“IIMA”)** - based in The Hague, The Netherlands and licensed by the AFM. IIMA is registered as an investment adviser with the SEC and provides investment advisory services to SEC-registered investment companies, ERISA plans, public pension plans, and other institutional clients. IIMI may share employees with this investment adviser. For instance, IIMI portfolio management teams manage assets and execute trades for certain client accounts on behalf of IIMA.
- **ING AM Insurance Companies B.V.** – based in The Hague, The Netherlands, and licensed by the AFM. ING AM Insurance Companies B.V. provides investment advisory services to affiliated ING insurance companies. IIMI's portfolio managers may place trades for these affiliated ING insurance companies.
- **ING Investment Management Belgium S.A. (“IIMB”)** – based in Brussels, Belgium and licensed by the Financial Services and Markets Authority. IIMB provides investment advisory services to Belgian funds and institutional clients. IIMB shares its office space with IIMA, which has a branch office in Brussels, Belgium. In addition to office space, IIMA shares a portfolio management team with IIMB. All of that global value equity team is based in Brussels except one team member who is employed by IIMI. However, the trading for these funds and institutional clients is performed by our affiliates' central trading desk in The Hague, The Netherlands.
- **ING Investment Management Luxembourg S.A.** – based in Luxembourg, Luxembourg and licensed by Commission de Surveillance du Secteur Financier. ING Investment Management Luxembourg S.A. provides investment advisory services to affiliated Luxembourg-based UCITS and non-UCITS funds. It is also the management company responsible for overseeing the management and administration of the ING Luxembourg funds, which are marketed and sold outside the US. ING Investment Management Luxembourg S.A. may sub-delegate portfolio management and trading activities for certain funds to IIMI.
- **ING Investment Management Asia Pacific (Singapore) Ltd. (“IIMS”)** – based in Singapore, Republic of Singapore and licensed by the Monetary Authority of Singapore. IIMS provides investment advisory services to institutional clients. Some members of the global fixed income teams of which IIMI employees are members, are based in Singapore and employed by IIMS. IIMS provides trade support for IIMI and vice versa.
- **ING Mutual Funds Management Company (Japan), Ltd.** - based in Tokyo, Japan and licensed by the Financial Services Agency of Japan. ING Mutual Funds Management Company (Japan), Ltd. acts as a distributor outside the US for various investment vehicles for which IIMI may provide investment advisory services.
- **ING Investment Management Korea, Ltd.** - based in Seoul, South Korea and licensed by the Financial Services Commission of the Republic of Korea. ING Investment Management Korea, Ltd. acts as a distributor outside the US for various investment vehicles for which IIMI may provide investment advisory services.
- **ING Securities Investment & Trust Co., Ltd.** - based in Taipei, Taiwan and licensed by the



Taiwan Financial Supervisory Commission. ING Securities Investment & Trust Co., Ltd. acts as a distributor outside the US for various investment vehicles for which IIMI may provide investment advisory services.

- **ING Investment Management (Middle East) Limited** - based in Dubai, United Arab Emirates and licensed by the Dubai Financial Services Authority. ING Investment Management (Middle East) Limited acts as a distributor outside the US for various investment vehicles for which IIMI may provide investment advisory services.

## **Item 11 – Code Of Ethics, Participation Or Interest In Client Transactions And Personal Trading**

### **Code of Ethics**

IIMI has implemented a Code of Ethics (the "Code"). The Code is designed to prohibit personnel from engaging in personal investment activities which compete with or attempt to take advantage of planned portfolio transactions. The Code generally requires IIMI personnel to receive pre-clearance from IIMI's Legal & Compliance team before effecting personal securities transactions. Personnel are required to report securities transactions and holdings and certify annually in writing regarding compliance with the Code. In addition, personnel are required to disclose their personal brokerage accounts upon hire and submit duplicate broker account statements and confirmations or consent to an electronic feed of account information to IIMI. Employees can only use broker-dealers that have been approved by the Legal & Compliance team and must grant the Legal & Compliance team access to personal brokerage account information with limited exceptions.

IIMI's officers and supervisors who are shared with our non-US affiliates will comply with the Code of Ethics administered by their local office which meets the requirements of the Advisers Act. As such, IIMI's officers and supervisors who are based outside of the U.S. are generally not required to comply with IIMI's preclearance, reporting, and certification requirements. IIMI's Legal & Compliance department has access to the officers and supervisors' records via IIMI's affiliates compliance department.

Any employee who violates the Code is subject to remedial actions. Employees are also required to promptly report any violation of the Code of which they become aware.

A copy of IIMI's Code is available to clients upon request.

### **Participation or Interest In Client Transactions**

IIMI or its affiliates may give advice and take action with respect to proprietary investments which may involve the same or similar investments, or alternatively may differ from the advice, timing or nature of action taken with respect to other clients. IIMI is part of a large, global financial services company and, as such, there may be numerous proprietary, employee and employee-related accounts with varying differences and considerations such as liquidity needs, realized and unrealized gains and losses, and other tax consequences and differing assessments of market conditions; thus investment decisions for some proprietary, employee and employee-related accounts may not always be consistent with decisions made for other clients. For the same reasons, investment decisions made on behalf of one client or fund may not always be consistent with investment decisions made on behalf of another client or fund.

### **Investments by Our Employees and Affiliates**

IIMI, its affiliates and/or their employees may in some cases personally invest in the same securities that are purchased for or recommended to clients, or they may own securities of issuers that are



subsequently purchased for or recommended to clients. In some instances, IIMI, its affiliates, or either of their personnel may also be investors in the funds managed by IIMI or its affiliates. Such funds will generally be treated as client accounts, and are neither given preferential nor inferior treatment versus other client accounts in terms of investment or trade allocations. They will generally be given preference compared with proprietary insurance related assets under certain circumstances pursuant to Dutch law.

### **Investments in Affiliated Funds**

Together with its affiliates, IIMI manages many funds, accounts and other investment vehicles. IIMI and/or its affiliates may have an economic interest in such affiliated accounts. Accounts, funds and other persons advised by IIMI may have different investment objectives or considerations. Decisions as to purchases and sales for each fund or account are made separately and independently in light of their respective objectives and purposes and may differ, depending on the fund or account.

### **Managing Proprietary Capital**

IIMI generally does not manage IIMI proprietary assets; although in some instances, IIMI may be the sole investor in a fund or account that IIMI manages in order to build a track record. IIMI may withdraw IIMI capital from a fund or close its account at any time as long as it complies with applicable laws. As noted above in Item 10, IIMI may manage assets for our affiliate, ING Insurance. IIMI may also serve as investment adviser to certain clients where affiliates provide the initial investments.

### **Regulatory Restrictions**

The ability of IIMI or its affiliates to effect and/or recommend certain transactions may be restricted by applicable regulatory requirements in the US and/or other jurisdictions. In particular, the activities of IIMI's affiliates involving investment banking, trade financing, substantial investing by our affiliated insurance companies) and other financial activities may impose limitations on the advice or recommendations IIMI or its affiliates may give. For instance, our affiliated insurance companies, as advised by affiliated investment advisers, may invest and own more than 10% of the outstanding equity interest or control more than 10% of the voting rights of publicly-traded companies domiciled in The Netherlands, Germany, or other European countries. Because of the substantial holdings in such companies by IIMI's affiliated insurance companies, IIMI could be deemed to be an affiliate of these companies. As a result, IIMI may not be able to recommend or invest its clients' assets in these companies due to regulatory or client-mandated restrictions, and/or potential conflicts of interest. Not investing in these companies could result in positive or negative performance impact on client accounts. IIMI's affiliates have established policies and procedures to mitigate the potential conflicts of interest (e.g., placing a team "behind the wall," segregating duties and responsibilities, separating board of directors, etc.) to enable IIMI to invest its client accounts in these companies as possible.

Additionally, in situations where an affiliate of IIMI is involved in an underwriting, selling, or distribution of a company's securities, IIMI or its affiliates may be precluded from purchasing or recommending the purchase of certain securities of the company for clients.

### **Compliance Policies and Procedures**

In order to monitor and address potential conflicts of interest, IIMI has implemented various processes and procedures, including policies governing trading and allocations. These processes and procedures are designed to ensure that funds and accounts are treated fairly, and that allocations of offerings or investment opportunities among funds and accounts are equitable.

### **Principal Transactions**

In general, IIMI and its affiliates will not, acting as principal, buy securities from or sell securities to advisory clients. However, IIMI reserves the right to engage in such principal transactions where

conducted in accordance with Section 206(3) of the Advisers Act and other applicable legal, regulatory and contractual provisions.

### **Cross-Trades**

In certain situations, when it is in the best interest of clients and permitted by law and the relevant client or fund documents, IIMI may direct one client account or fund to purchase or sell an investment from or to another client account or fund. For example, funds and/or accounts following similar investment strategies may need to "rebalance" their portfolios periodically. These "cross trade" transactions will be done only where the portfolio manager can obtain best execution. For more information about potential cross-trades, please see description Of "Program Trading for Equity Securities" listed under Item 12 below.

### **Procedures Governing Material, Non-Public Information**

In the course of its business, IIMI and its personnel may come into possession of material, non-public information. IIMI and its affiliates have adopted written procedures to prevent the misuse of material non-public information for trading and investment decisions and to minimize any conflict of interest which might otherwise result from such circumstances. Such procedures may require that IIMI and/or its personnel be restricted from engaging in transactions in certain securities for client accounts and/or their own accounts until such time as IIMI is no longer restricted. For legal, regulatory and other reasons, IIMI may determine to restrict investments in securities or instruments of companies in which a client or an employee of IIMI is an officer or director or with which such person has other material relationships, or where other potential conflicts of interest are present.

### **Privacy Policy**

Other than as required by law (e.g., regulatory audits or requests or audits by external auditors or as deemed necessary by IIMI) IIMI will generally not reveal client or former client information to any unaffiliated third party. Client and former client information may be shared with our affiliates and advisors or agents as necessary to administer, service or otherwise maintain accounts and generally as permitted by law. Below are the terms and conditions of our privacy policy.

#### **1. What information may be collected? How could it be used?**

IIMI generally collects and uses information about clients and customers in order to deliver quality service to them. Information may be obtained through applications, new account or other forms submitted directly to IIMI or through unaffiliated third parties, transactions with IIMI or its affiliates and meetings between clients and IIMI's employees, such as portfolio and/or account managers. This information might include a client's name, address, tax ID number, assets, income, credit and investment history or other client-specific information. IIMI collects this information in order to advise clients about its products, services and other opportunities, and to operate its business.

#### **2. Will any of the collected information be disclosed to others?**

Other than as required or permitted by law, IIMI will not reveal client or former client information to any unaffiliated third parties unless IIMI has previously informed the client, provided disclosure to the client or otherwise been authorized by the client. Client and former client information may be shared with our affiliates as necessary to administer, service or otherwise maintain accounts and generally as permitted by law. The types of persons to whom such information may be disclosed include the employees of IIMI and its related legal entities, agents, sub-advisors, and authorized representatives.

#### **3. How is the collected information protected?**

IIMI has several internal controls in place to protect the collected information. IIMI considers the information confidential and proprietary, and as such IIMI restricts access to such information.

#### 4. Will these terms and conditions change in the future?

The terms and conditions above are current as of the date of this brochure but, as circumstances or legal requirements change, IIMI may need to amend these terms and conditions.

## **Item 12 – Brokerage Practices**

### **Factors in Selecting Broker-Dealers and Counterparties and Executing Orders**

IIMI and its affiliates have a duty to act honestly, fairly, professionally and in the best interests of its clients. When executing orders, IIMI takes all reasonable steps to obtain the best result for its clients. IIMI has a duty to ensure that, when executing transactions directly with other parties, such as broker-dealers, counterparties or intermediaries (collectively “Brokers”) it obtains “best execution”.

In general, to meet the duty of “best execution”, each trader or portfolio manager must ensure the execution of transactions is the most favorable under the prevailing circumstances. The concept of best execution is not limited to solely obtaining the best price and lowest transaction costs, the full range of a broker's services, including among others, price, the value of research provided, execution capabilities, speed and likelihood of execution, quality of execution, speed and likelihood of settlement, financial responsibility, administrative resources, size and nature of the order and responsiveness to enhance the overall value of a client account for both short term and long term, may be considered.

Broker selection and evaluation are monitored by the Brokerage and Trading Committee and the Enterprise Risk Management Committee (the “Committees”). The Committees are organized and governed by IIMI affiliates in The Hague, The Netherlands and oversees trading practices for IIMI and its affiliates on a global basis.

#### **Broker Selection**

##### **Execution Venue**

The Brokers with whom IIMI and its affiliates do regular business may execute IIMI's orders on regulated markets, on multi-lateral trading facilities (MTF's), with systemic internalizers or on their own book.

The selection procedure described below indicates if and when transactions are executed on the book of a counterparty or if and when transactions are executed (by a broker) on a specific regulated market, multilateral trading platform or other execution venue.

##### **Approved Broker List**

Transactions for an account may be executed only with or through Brokers that are pre-approved by the Risk and Compliance teams of IIMI's affiliates. The Brokers may be affiliated or unaffiliated with IIMI. The approved broker list may include any Broker which the central trading desk or portfolio managers believe can add value to the investment management process, subject to a quality check performed by Credit Risk Management and Compliance teams of IIMI affiliates based in Europe. The central trading desk (“Central Dealing”), which is the main trading floor for IIMI and its affiliates, maintains a sub-list of approved/preferred brokers (per type of financial instrument), which are eligible to be selected for a specific trade.

Transactions can be executed by Central Dealing's traders with any Broker on the approved broker list. A Broker may be added to the approved broker list following IIMI's affiliates internal application procedure.

## Broker Selection Criteria

IIMI is expected to allocate trades only to Brokers that are included on the approved broker list. In selecting a broker, Central Dealing and IIMI, to the extent that IIMI's portfolio managers execute trades, consider a number of factors when deciding on which executing Broker to use.

The decisive factor for allocation between different brokers of a specific trade, as well as the relative importance of the above criteria depends on various factors. For the execution of each transaction, a Broker will be selected on the basis of the criteria outlined below. In addition, when selecting the Broker, Central Dealing or IIMI will take into account criteria specific to the transaction, which will include the price and costs, speed and likelihood of execution and settlement of the trade, the size and nature of the order, impact on the market and proprietary risk criteria. Within that context, the client's classification as professional/institutional, characteristics of the order, the relevant financial instruments and execution venues.

Price will generally have a high relative importance in obtaining the best possible result. However, Central Dealing or IIMI may decide not to execute a trade through a broker offering the lowest price if other factors outweigh the price and costs of the transaction.

## Broker Evaluation

Generally on a semi-annual and global basis, the investment professionals (e.g. portfolio managers, analysts, traders, etc.) rate the approved brokers according to certain criteria (the "Broker Vote"). The execution quality of the Brokers is assessed during the Broker Vote. The results of this evaluation process are reported to the Committee. Based on the results of this process, targets are set for each Broker and in certain circumstances, trades can be executed in order to reach these targets if Best Execution will still be achieved (see below: Execution Policy paragraph).

Each asset class uses its own sub-list of approved/preferred brokers in its own broker evaluation. Each category of investment professionals (Investment Boutiques, Central Dealing, Management, Corporate Analytics, Middle Office/Trade Support) rate the brokers. The voting process is generally performed online via customized software provided by third party vendor(s) and determine which brokers are used for IIMI's transactions.

For equity instruments, IIMI's affiliates have hired Abel Noser to measure and evaluate the trading practices. Generally, these vendors analyze the executed price received and transaction costs for historical trades. They generally do not include the qualitative features, such as research or service, offered by the brokers in their analysis. Results from the vendor's analysis may be considered in the voting process described above. For fixed income, foreign exchange and OTC derivatives the hit-ratios of the transactions put in competition may be used to evaluate the trading practices.

## Order Execution

### Execution Policy

In general, the broker selection process is largely driven by the specific characteristics of the type of instruments, their intrinsic characteristics and specific markets. In addition, specific instruments (as explained under fixed income and non-listed derivatives paragraphs) may have limited price transparency. As a result, some trades are effected OTC through bilateral negotiations and not through regulated markets or MTF's.

## Listed Derivatives

The clearing Brokers used by Central Dealing have been selected by a request for proposal process, based on service, settlement facilities, price and reporting tools and are appointed for a fixed period. All listed derivatives (i.e. options and futures) are traded by using an executing Broker who may have

a give up agreement with the clearing Broker (or specific clients). The executing Broker has discretionary power to execute the client order on a regulated market, a MTF, a (system of) internalization or on his own accounts.

## **Equities**

Transactions in equity financial instruments are generally performed by using one of the following methods: algorithmic trades, cash desk trades or program trades. All types of trades may result in trade execution on a regulated market if such is deemed the most appropriate under the prevailing market circumstances. However, they may also result in an execution outside a regulated market or MTF's, for example by crossing trades by the relevant Broker. Cross trading would only occur if allowable under applicable laws and regulations and as described in Item 11. IIMI and Central Dealing will use their own judgment and experience in determining which method it will use dependent on the specific (market) circumstances and other criteria mentioned above.

## **Fixed Income**

A relatively large part of the fixed income instruments that are traded by IIMI have limited price transparency and availability in the market. Fixed income instruments are executed in the primary and secondary market. These instruments are generally traded over the counter and on a principal basis.

Larger size bond orders and orders in illiquid bonds or illiquid markets are typically executed through bilateral negotiations with one broker. This is done in order not to disturb the market and obtain a discrete and quick execution. These brokers can be specialized in these bonds, bond markets or have special abilities in these products or markets. There is often intensive contact between the brokers and IIMI regarding market developments, flows or special demand or offers in the markets.

## **OTC Derivatives and Foreign Exchange (instruments)**

Transactions in these OTC Derivatives are effected by Central Dealing.

Orders can be placed in competition provided there is transparency of pricing and liquidity. The number of brokers used depends on a number of factors (e.g. size, complexity of the trade, discreteness). Pricing tools and levels quoted by counterparties of IIMI's affiliates (via Central Dealing) on trading systems are also used as a reference.

## **Crossing and Aggregation**

Crossing a transaction (in-house or with an external party) is possible in all instruments mentioned above (where permitted by applicable laws and regulations). See Item 11 regarding cross trades. In addition, Central Dealing and IIMI may aggregate orders in accordance with the Trade Aggregation and Allocation Policy.

Central Dealing and IIMI may also work with limits, contingent orders or other specific instructions if they consider this to be in the interest of its clients.

## **Exceptions to the Trade Aggregation and Allocation Policy**

Generally, Central Dealing and IIMI do not act on the basis of specific client instructions to place trades through a specific Broker or through a particular type of Broker. However, to the extent that IIMI acts on the basis of clients' specific brokerage instructions, such specific instructions may prevent Central Dealing and IIMI from taking the steps set out in the Trade Aggregation and Allocation Policy. The Trade Aggregation and Allocation Policy will not apply in the case of client directed trades.

IIMI may permit clients to establish directed brokerage arrangements if they desire, although IIMI may limit the circumstances under which it will participate in these arrangements. Where a client directs

IIMI to execute transactions for its account through designated Brokers, the client is responsible for ensuring that (1) all services or rebated commissions provided by the designated Brokers will inure solely to the benefit of the client's account and any beneficiaries of the account, are proper and permissible expenses of the account, and may properly be provided in consideration for brokerage commissions or other remuneration paid to the designated broker-dealers, (2) using the designated Brokers in the manner directed is in the best interests of the client's account and any beneficiaries of the account, taking into consideration the services provided by the designated Brokers, (3) its directions will not conflict with any obligations that persons acting for the client's account may have to the account, its beneficiaries or any third parties, and (4) persons acting for the client's account have the requisite power and authority to provide the directions on behalf of the account and have obtained all consents, approvals or authorizations that may be required under applicable law or instruments governing the account.

In addition to the aforementioned, the Trade Aggregation and Allocation Policy will generally not apply to transactions with respect to highly customized financial products, which are tailored to circumstances specific for a client and its account or if a transaction, regards a financial instrument relating to one particular execution venue only.

### **Brokerage and Research Services**

As noted above, IIMI and Central Dealing seek to obtain best execution for portfolio transactions. In certain circumstances, IIMI and Central Dealing may cause a client account to pay a higher commission than another Broker might have charged in order to receive other benefits such as research and/or brokerage services. IIMI's affiliates currently receive a variety of brokerage and research services ("Soft Dollar Services") from various firms, including third parties which provide research or services by or through brokerage firms which IIMI is able to leverage. These services are offered because the brokerage firms receive clients' commissions ("Soft Dollars") for the execution by such Brokerage firms of securities transactions for client accounts.

IIMI or its affiliates may establish client commission arrangements—sometimes called “commission sharing arrangements”—with a number of brokers, whereby a Broker will aggregate commission credits from Equity transactions, which are then used to pay for research and/or brokerage services from a number of providers. IIMI currently leverages the CSA arrangements of its affiliates with several Brokers to obtain research from independent research providers. The use of CSAs allows IIMI to unbundle part of the flow and separate access to research providers

The research and brokerage services provided to IIMI are designed to augment internal research and investment management capabilities and may include a wide variety of analyses, reviews, tables, data bases, and reports on such matters as economic and political strategy. Such services may also include research reports on companies, industries, securities, economics and politics; economic and financial data; portfolio and performance analyses; specialized publications and news sources; earnings forecasts; computer databases; quotation services; trading-related services and software; and research-oriented computer software and other services. There may be occasions where the transaction cost charged by a broker-dealer may be greater than that which another broker-dealer might have charged if IIMI determines in its good faith judgment that the amount of such transaction cost is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer. The quality and quantity of the brokerage and research services received along with the nature and difficulty of specific transactions are considered in seeking best execution. The costs of such brokerage and research services are also considered. IIMI and its affiliates make use of Soft Dollar Services in compliance with Section 28(e) of the Securities Exchange Act of 1934.

The research and/or brokerage services provided may be used for some or all client accounts managed by IIMI or its affiliates, not just those accounts whose commissions were used to acquire the research products and services. Accordingly, the accounts (including accounts of other affiliates) which provide the brokerage transaction charges for which such services are provided, may not necessarily receive any or all benefit of the services. IIMI periodically monitors the research services received and the brokerage services provided as part of its broker selection procedures.



Both Soft Dollars and CSAs present potential conflicts of interest because client accounts may pay higher commission rates than would be charged by broker-dealers not providing research or other services.

By obtaining soft dollar or CSA services, IIMI and Central Dealing may benefit by not having to produce or pay for research, products or services; in addition, IIMI and Central Dealing may have an incentive to select or recommend a Broker-dealer based on receiving research or other services. Best Execution is a subjective matter and IIMI and its relevant affiliates make execution decisions at their sole discretion.

## **Aggregation and Allocation**

### **General Rules**

Central Dealing and, IIMI place trades for client accounts in reliance upon the Trade Aggregation and Allocation Policy of IIMI's affiliates. The Trade Aggregation and Allocation Policy considers three stages in the trade/investment process which have been identified as containing potential conflicts of interest. These stages are as follows:

- Pre-allocation
- Aggregation of orders
- Allocation of transactions

### **Pre-allocation**

When an order is placed in the relevant portfolio management system, the system will determine the target quantities per client based on factors including, but are not limited to, the following:

- The potential investment needs of the portfolios
- The appropriateness of the investment to the portfolio's performance, time horizon, risk objectives and mandate restrictions
- Existing levels of portfolio ownership in the intended investment and in similar types of companies
- The immediate availability of cash in a portfolio to fund an investment
- And amongst others factors, minimum size, round lots, size of the accounts and benchmark

### **Aggregation of Orders**

In general, orders for the same security with the same trading parameters (e.g. same price limits or other limiting instructions) on behalf of multiple clients are aggregated into a block transaction.

Subsequent orders for the same security that are entered during the same trading day may be aggregated with any unfilled portions of orders that may be outstanding at that time. The part of the original order that is already filled (partial fill) will generally be allocated separately from subsequent orders subject to the following criteria: market circumstance, price movement, liquidity, expected price movements, percentage already filled.

Upon arrival of orders at the Central Trading desk in Europe, orders for the same security on behalf of multiple clients may be aggregated in to a block transaction when aggregation is considered to be in the best interest of each individual client.

### **Factors Hindering the Aggregation of Orders**

Circumstances in which orders may not be aggregated include but are not limited to:



- When a client could reasonably be expected to be materially disadvantaged;
- When mandate or regulatory restrictions prevent aggregation of orders (e.g. counterparty restriction, specified cut off time or an order approval requirement);
- When the orders for the same security have different parameters (e.g. limiting instructions);
- When orders include third party and proprietary portfolios (see below for more detail).

If orders are not aggregated, client accounts will not receive an average execution price or an average of the transaction costs paid for all similar orders. Instead, transactions may be executed separately and priced accordingly.

### **Aggregation of Third Party and Proprietary Orders**

Generally, orders initiated by or on behalf of proprietary portfolios are not aggregated with orders for third party portfolios. When such orders that are not aggregated, orders for third party portfolios will generally receive priority over orders for proprietary portfolios.

### **Allocation of transactions**

In general, fully or partially executed orders for multiple clients are allocated on a pro rata basis, based on the target quantity.

### **Exceptions to the Trade Aggregation and Allocation Policy**

Exceptions to the Trade Aggregation and Allocation Policy apply only in the case of partially filled orders. In those cases, IIMI or Central Dealing may use one of the below methods to allocate the order if it determines in its sole discretion that clients would not be materially negatively impacted:

- Random Trade Allocation- trades may be randomly allocated among accounts in an allocation by using a trading program which randomly allocates among the participating accounts.
- Rotation— all accounts of a similar type may be placed on a list and a partially filled order is allocated starting from the top of the list. On the next order for a different security, the order is filled beginning with the next in line on the list.
- Non-pro rata allocation may be allowed for the following reasons:
  - Potential investment needs of the clients (e.g. weight in issuer, region, industry, etc. is above/below the average of clients with similar mandates, participating in the same order, or cash level is above/below the average of clients with similar mandates, participating in the same order);
  - Security trading / market rules (e.g. round lot requirements, minimum order size requirements, incremental amounts, or unobtainable order sizes);
  - Appropriateness of the investment to the client(s) portfolio, based on the benchmark, risk objectives, etc.;
  - Immediately required cash availability due to outflows;
  - In order to avoid a mandate or regulatory breach;
  - Other reasons.

### **Allocation of Third Party and Proprietary Orders**

Aggregated orders for both third party and proprietary portfolios which are partially filled will be allocated to third party portfolio first. In such cases, pro rata allocation is generally only permitted if the third party portfolio's order could not have been executed or would not have received the same favorable conditions had the order not been aggregated (e.g. some new issues).

### **Program Trading for Equity Securities**

Periodically, Central Dealing may effect program trades so that the portfolio managers can rebalance multiple accounts. The rebalancing may require the buying and/or selling of numerous securities, generally stocks, in an account to bring the positions to a desired level. Program trading can also be used to initiate trades to adjust for cash inflows or outflows from multiple accounts. The orders from one or more portfolio managers for all stocks and accounts involved can be combined to make a program trade and sent to a broker. A program trade contains a basket of different stocks with specific execution instructions (i.e., volume weighted average price). The primary advantages of placing program trades are lower transaction costs and efficiency in handling multiple orders.

Program trading may give the appearance that Central Dealing may be engaging in cross trading, particularly when the same portfolio manager(s) initiates the rebalancing program trade for different accounts on the same day and the trader(s) places the orders with the same broker-dealer. In any program trade, one account may be selling a security while another account may be purchasing the same security on the same day through the same broker, or sometimes, a different broker. When the trades are placed with one broker, the broker may on its own net the buy and sell orders for ease of settlement. This netting process could result in the same execution price for accounts that are selling and accounts that are buying. Although the broker is netting the positions, it will still assess commission charges for all accounts involved. Generally, Central Dealing will not request the broker to net the positions. In the rare instance that Central Dealing asks the broker to net the positions, the broker may still assess commission charges.

### **Initial Public Offerings**

Central Dealing treats initial public offerings ("IPOs") in accordance with the Trade Aggregation and Allocation Policy. In general, allocations of IPOs and other public offerings are made on the basis of pre-established criteria across those eligible accounts seeking to purchase the securities and for which the securities are appropriate and suitable. Where the portfolio managers determine that the security will likely not be sold in the near term, portfolio managers of accounts receiving IPO's may determine to sell the securities on the secondary market (thereby realizing gains) and subsequently purchase them for a broader universe of accounts or, where and when permitted, "cross" them with other managed accounts. IPO's may be restricted to certain funds or accounts based on their investment objectives, investment restrictions or trading strategies. Portfolio managers may also determine that based upon their understanding of the clients' investment parameters, certain transactions in IPO's may be inappropriate for their clients. Funds or accounts which are not prohibited from purchasing and/or selling IPO's may participate in such transactions if to do so would be consistent with their historical or expected trading patterns. Subject to investment restrictions, IPO's will generally be allocated on a pro-rata basis to all eligible, participating funds or accounts based on the asset size of each participating fund or account unless quantities available are too small to be allocated pro-rata. As a result, certain client accounts of IIMI and its affiliates may have greater opportunities than others to invest in IPOs. Funds or accounts with an investment policy or style that emphasizes investment in a specific category of securities may be given priority over other clients in allocating such securities. In addition, portfolio managers' relationships with the underwriters, brokerage commissions generated, and analysis and commitment to the security may also be factors in allocation decisions.

IIMI and its affiliates may sell an IPO or a new issue immediately after purchase to realize a gain for client accounts. Generally, the decision to sell rests with the portfolio manager, who determines that it is in the best financial interest of the account. However, such sales may cause the portfolio turnover rate for client accounts to increase significantly and may incur tax consequences for the client.

### **Commission Recapture**

Clients may implement brokerage commission recapture programs, with certain brokers to receive discounts, rebates, reimbursements, or other financial benefits. In these instances, the client may request IIMI trades be placed with the brokers with whom they have arrangement(s). Such requests may be honored if the arrangement(s) does not financially disadvantage other accounts. If it reasonably expects that other accounts will be materially disadvantaged the request may be denied.

## Trading by Affiliates

Trading activities for IIMI may be conducted by an affiliated investment adviser located outside the US. Likewise, IIMI may place trades on behalf of affiliated investment advisers. Depending upon the intended strategy and market conditions, allocations and investment decisions may be made across multiple trading desks in a manner deemed most favorable by the portfolio managers or traders at that location. For instance, a trader working for an affiliated investment adviser in Europe may aggregate several trade orders that could include orders for clients of IIMI as well as clients of the affiliated investment adviser. As a result, a block trade may include trades for accounts that are not managed by IIMI. The purpose for IIMI and its affiliated investment advisers is to use affiliated trading desks and personnel to leverage expertise and skills. Location to the relevant market is also a critical factor.

## Error Correction Procedures

On occasion, an error may be made in a client account. For example, a security may be erroneously purchased for the account instead of sold. In these situations, Central Dealing and IIMI generally will seek to rectify the error by placing the account in a similar position as it would have been had there been no error. Depending on the circumstances and subject to applicable legal and contractual requirements, various corrective steps may be taken, including, among others, cancelling the trade, correcting an allocation or reimbursing the account for realized or actual losses. Generally, IIMI and its affiliates will not reimburse clients for opportunity, indirect, or hypothetical losses. Unless directed by clients to do otherwise, IIMI and its affiliates will not reimburse for a loss of less than approximately \$650 (or equivalent to €500) per client account.

The error account will be utilized in most instances when trade errors are detected before they have settled. The error account may experience positive (financial gain for the error account) and negative (financial loss for the error account) trade errors and IIMI and its affiliates will bear the financial impact (positive or negative). Once the trade has settled in an account, other corrective steps would be evaluated on a case-by-case basis.

## Passive Breaches

In the event that investment limits and constraints are exceeded as a result of market appreciation, which are commonly referred to as “passive breaches,” Central Dealing and IIMI may after a certain time period make adjustments to the portfolio, taking into account the liquidity of the market and any financial impact, to bring the account within the predetermined investment limits and constraints. IIMI will generally not reimburse clients or report passive breaches to them unless otherwise agreed. Management and monitoring of passive breaches is conducted by IIMI’s affiliates on its behalf.

## Errors Caused by Third Parties

IIMI will not be responsible for errors and/or losses to client accounts caused by third parties. For example, IIMI is not responsible for trades incorrectly executed by any clearing firm, broker-dealers, custodians, mutual fund, or insurance company when an order has been properly submitted by IIMI or Central Dealing.

IIMI is not generally responsible for errors as a result of market data purchased from third parties.

## Item 13 – Review of accounts

### General

The primary responsibility for the investment management services to be provided to each account resides with the portfolio managers who are assigned to manage the respective account. Portfolio managers are responsible for the appropriateness of the investments pursuant to the account’s investment objectives, guidelines and restrictions. To the extent possible, an account’s investment restrictions and/or all applicable regulatory restrictions are entered in the relevant portfolio

management system by IIMI's affiliates on its behalf. Both IIMI and Central Dealing follow the 4-eyes principle (see below) and IIMI's affiliates monitor client accounts on a daily basis to ensure that accounts are in line with the agreed mandate.

#### Fixed Income

A portfolio manager (or analyst upon the direction of a portfolio manager) enters an order and another member of the team must approve it before the trade can be executed. The portfolio manager also runs a pre-trade compliance check in the relevant portfolio management system to ensure that no investment restrictions will be breached as a result of the trade. In addition, the portfolio manager and back office department of IIMI's affiliates reconciles executed trades with IIMI's counterparties on a daily basis through the relevant portfolio management system.

#### Equity

A portfolio manager enters a trade and a trader from Central Dealing executes the trade. The portfolio manager runs a pre-trade compliance check in the relevant portfolio management system to ensure that no investment restrictions will be breached as a result of the trade. In addition, the traders and back office department of IIMI's affiliates reconciles executed trades with IIMI's counterparties on a daily basis through the relevant portfolio management system.

IIMI's investment teams are organized as global investment boutiques. Each boutique is headed by one or more lead portfolio managers. The lead portfolio managers report to the global head portfolio managers of the boutiques and the Chief Investment Officer. The global investment teams consist of other portfolio managers, traders, and analysts who could be based in the US, Europe, or Asia. The lead portfolio managers are responsible for establishing and implementing the over-all investment strategy. The number of accounts assigned to each portfolio manager in the boutique will vary according to the size and complexity of the accounts. In general, portfolios are reviewed by the traders, investment teams and/or lead portfolio managers. The number of accounts reviewed by each reviewer will vary depending upon the nature and size of the accounts under management.

#### Client Reports

On a quarterly basis, affiliates of IIMI generally furnish reports to clients on IIMI's behalf regarding their portfolio assets, positions, expenses, valuation, performance, transactions and often include narrative information about the investments, market and economic conditions. Clients may also receive monthly statements and confirmations of transactions from the custodian bank for the clients' accounts. With respect to registered investment companies and other regulated investment vehicles, investors are provided with reports as required by applicable law.

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

##### **Additional Compensation**

IIMI may enter into referral or solicitation arrangements with affiliated entities from which IIMI may receive or to which IIMI may pay compensation for the referral of business. IIMI may also enter into referral or solicitation arrangements with non-affiliated persons or entities. Any such arrangements are pursuant to agreements consistent with Rule 206(4)-3 under the Advisers Act as applicable. These arrangements may raise potential conflicts of interest insofar as the person providing the referral or solicitation is being compensated to promote IIMI. Disclosures of the arrangement or affiliation are made to the client as required and the client does not bear the cost of referral fees or solicitation fees which may vary on a case-by-case basis.

Further, IIMI and its affiliates may participate in conferences and other functions sponsored by consultants and may purchase research or other services from such consultants. From time to time, these consultants may recommend IIMI and its affiliates to their clients. These recommendations are

not based on, or related to, the purchase of research or services, or the participation in conferences or other functions.

### **Item 15 – Custody**

Client assets are generally held in custodial accounts with banks, broker-dealers or other custodians that are not affiliated with IIMI. IIMI does not act as a custodian for its client accounts. Clients may permit IIMI's affiliates to deduct management fees directly from their custodial accounts, which may lead certain regulators to deem that IIMI or its affiliates have custody over the assets in the account.

Additionally, for the non-US funds managed by IIMI, IIMI's affiliates may act as the transfer agent, fund administrator, fund accountant, and management company to these funds. In this regard, IIMI's affiliates could be deemed to have constructive custody of the funds' assets, although a separate custodian would maintain client assets.

A client's custodian may from time to time engage an IIMI affiliate (such as ING Bank) as its preferred sub-custodian in a market where the primary custodian does not have its own presence. Any such sub-custodian would be operationally independent of IIMI and IIMI would neither engage nor participate in the primary custodian's decision to engage the sub-custodian.

The selection of the custodian is generally the responsibility of the client. Clients should receive at least quarterly statements from the broker-dealers, banks or other custodians that hold and maintain clients' investment assets. IIMI cannot ensure that its clients receive statements as it does not control the relationship between the clients and their custodians. IIMI urges clients to carefully review such statements and compare such official custodial records to the account statements that IIMI's affiliates provide on IIMI's behalf and inform IIMI as soon as possible if there are any discrepancies. The statements produced by IIMI's affiliates may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities so clients are advised to contact IIMI and their custodians with questions.

### **Item 16 – Investment Discretion**

IIMI will generally receive complete discretionary authority from clients at the outset of an advisory relationship through an investment management agreement or other documents (for example, to select the identity and amount of securities to be bought and sold, select the broker-dealers and other service providers that may service and support the operation of the account, execute trades on behalf of the client and generally engage in all activities that are essential or incidental to the investment management services IIMI may provide). In all cases, however, such discretion is exercised in a manner consistent with the stated investment objectives for the particular client account or fund.

### **Item 17 – Voting Client Securities**

#### **General**

IIMI currently does not vote proxies for its clients. However, as part of the investment management services IIMI may provide to non-US funds, IIMI may be asked to provide advice on proposed corporate actions for securities in which the non-US funds are the beneficial owners. The management company(ies) of these non-US funds hold the proxy voting authority for these funds, but may seek advice from IIMI's portfolio managers regarding the proxy votes. IIMI is committed to managing our clients' assets in their best interests. Accordingly, in advising on such corporate actions, IIMI considers the potential impact on the portfolio and makes recommendations in a manner which, in its opinion, will add economic value to the clients' investments.

In order to manage conflicts of interest, there are two proxy voting committees—one which is responsible for voting on client assets and the other which is responsible for voting on ING Insurance assets. These committees exercise control of the voting of proxies by establishing written guidelines and participate, as needed, in the resolution of issues or conflicts of interest that need to be handled on a case-by-case basis.

### **Corporate Actions and Related Issues**

From time to time, IIMI may need to make decisions with respect to various types of corporate actions (e.g., tender offers, restructurings, waivers of covenants, etc.) on behalf of client accounts. These situations are often highly fact-specific and can occur in all types of portfolios, such as fixed income strategies.

### **Class Actions and Litigation**

As a general matter, a fund's or account's custodian, rather than IIMI, is responsible for filing class action claims and IIMI generally does not commence or pursue litigation on behalf of clients. With respect to certain funds or accounts, IIMI may determine to initiate and/or pursue litigation in order to maximize recoveries for the fund or account, including "work-out" situations. Likewise, IIMI may in certain cases assist clients in these proceedings. Recoveries achieved from these activities generally inure to the benefit of, and expenses incurred in these efforts are generally borne by, those accounts or funds holding the investments.

### **Item 18 – Financial Information**

IIMI is required in this Item to provide clients with certain material financial information or disclosures about its financial condition. To the best of our knowledge and belief, IIMI has no financial commitment that is reasonably likely to materially adversely affect its ability to provide investment management services to its clients, and has not been the subject of a bankruptcy petition.