

Neuberger Berman Singapore Pte. Limited

Client Brochure

December 13, 2013

Ocean Financial Centre

10 Collyer Quay #15-05,

Singapore 049315

www.nb.com

This brochure ("**Brochure**") provides information about the qualifications and business practices of Neuberger Berman Singapore Pte. Limited ("**NBS**"). If you have any questions about the contents of this Brochure, please contact us at +65 6645 3760 or by email at: **[NBAsiaClientServices@nb.com]**. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("**SEC**") or by any state securities authority.

This Brochure provides information for NBS's U.S. Clients. Most provisions of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**") and of this Brochure do not apply to NBS's non-U.S. Clients. Registration as an investment adviser does not imply any particular level of skill or training.

Additional information about NBS is also available on the SEC's website at www.adviserinfo.sec.gov.

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Item 2: Material Changes

This Brochure dated December 13, 2013 is NBS's initial application for registration with the SEC. Going forward, this Brochure will be updated at least annually.

NBS will ensure that Clients receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of NBS's business fiscal year. NBS may further provide other ongoing disclosure information about material changes as necessary.

Item 3: Table of Contents

ITEM 1:	COVER PAGE.....	I
ITEM 2:	MATERIAL CHANGES.....	II
ITEM 3:	TABLE OF CONTENTS.....	III
ITEM 4:	ADVISORY BUSINESS	1
A.	Description of Neuberger Berman Singapore Pte. Limited (“NBS”) and the Firm	1
B.	Types of Advisory Services	2
C.	Client Tailored Services and Client Tailored Restrictions	3
D.	Wrap Programs	3
E.	Assets Under Management	3
ITEM 5:	FEES AND COMPENSATION	4
A.	Fee Schedule	4
B.	Payment Method	4
C.	Other Fees and Expenses.....	5
D.	Prepayment of Fees and Refunds	6
E.	Sales Compensation	6
ITEM 6:	PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	7
ITEM 7:	TYPES OF CLIENTS.....	8
ITEM 8:	METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	9
A.	Methods of Analyses.....	9
B.	Investment Strategies	10
C.	Material Risks.....	14
ITEM 9:	DISCIPLINARY INFORMATION.....	32
ITEM 10:	OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	33
A.	Registration as a Broker-Dealer or Registered Representative	33
B.	Registration as a Futures Commission Merchant, Commodity Pool Operation, Commodity Trading Advisor or Associated Person	33
C.	Material Relationships.....	33
D.	Selection of Other Investment Advisers	36
ITEM 11:	CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	37
A.	Code of Ethics	37
B.	Participation or Interest in Client Transactions	38

C.	Personal Trading.....	39
D.	Other Conflicts of Interests	40
ITEM 12:	BROKERAGE PRACTICES.....	44
A.	Criteria for Selection of Broker-Dealers	44
B.	Aggregation of Orders/Allocation of Trades.....	45
ITEM 13:	REVIEW OF ACCOUNTS.....	48
A.	Periodic Reviews.....	48
B.	Non-Periodic Reviews.....	48
C.	Client Reports.....	48
ITEM 14:	CLIENT REFERRALS AND OTHER COMPENSATION	50
A.	Compensation by Non-Clients	50
B.	Compensation for Client Referrals.....	50
ITEM 15:	CUSTODY.....	51
ITEM 16:	INVESTMENT DISCRETION	52
ITEM 17:	VOTING CLIENT SECURITIES.....	53
ITEM 18:	FINANCIAL INFORMATION	54
A.	Prepayment of Fees (Six or more months in advance)	54
B.	Impairment of Contractual Commitments.....	54
C.	Bankruptcy Petitions.....	54

Item 4: Advisory Business

A. Description of Neuberger Berman Singapore Pte. Limited ("NBS") and the Firm

NBS

NBS is a Singapore private company with limited liability formed in November 2008. It is licensed with and regulated by the Monetary Authority of Singapore to undertake the regulated activity of fund management.

NBS is directly owned by Neuberger Berman Asia Holdings II LLC, which is, in turn, owned by Neuberger Berman Asia Holdings LLC, which is a wholly-owned subsidiary of Neuberger Berman Group LLC ("**NBG**").

The Firm

NBG is a holding company, the subsidiaries of which (collectively referred to herein as the "**Firm**" or "**Neuberger Berman**") provide a broad range of global investment solutions – equity, fixed income and alternatives – to institutions and individuals through customized separately managed accounts, mutual funds and alternative investment funds. As of September 30, 2013, Neuberger Berman had approximately \$227 billion under management.¹

On May 4, 2009, Neuberger Berman became an independent, employee majority-controlled asset management firm as the result of a management buyout from Lehman Brothers Holdings Inc. ("**LBHI**"), the then-owner of the business that now comprises Neuberger Berman. At the time of the management buyout, LBHI retained a 49% interest in Neuberger Berman.

As of September 30, 2013, NBG's voting equity is owned 76% by NBSH Acquisition LLC ("**NBSH**"), and 24% by LBHI and certain of its subsidiaries. NBSH is owned by certain portfolio managers, members of its management team and other senior key employees (the "**Management Members**"). NBG's Board of Directors is comprised of seven members, including the Chief Executive Officer, who is required to be a member of the Board and serves as its Chairman. In addition, the Management Members have the right to appoint four directors, two of whom are required to be independent as defined in the New York Stock Exchange Listed Company Standards. LBHI is entitled to appoint two directors. The right to appoint four members to NBG's Board of Directors enables the Management Members to appoint a majority of the directors.

¹ Firm assets under management figures reflect the collective assets for the various affiliated investment advisers that are subsidiaries of NBG, including, but not limited to, NBS, Neuberger Berman Asia Limited, Neuberger Berman Europe Limited, Neuberger Berman LLC, Neuberger Berman Management LLC, Neuberger Berman Fixed Income LLC, NB Alternative Investment Management LLC, NB Alternatives GP Holdings LLC and NB Alternatives Advisers LLC.

Neuberger Berman is headquartered in New York City, where the majority of its asset management services are performed. As of September 30, 2013, Neuberger Berman had approximately 1,900 employees across 30 offices in 29 cities and 16 countries around the world.

As of June 30, 2013, approximately 350 employees owned an equity stake in the Firm. All of these employees have entered into agreements that provide strong incentives to continue with the organization, and have a number of restrictive covenants in the event the employee leaves the Firm.

NBS's investment management services are discussed further below.

B. Types of Advisory Services

NBS currently provides the following types of investment management services:

Funds

NBS does not currently serve as the investment manager for any pooled investment vehicles; however, it may do so in the future.

Investors should refer to each Fund's prospectus, offering memorandum or other offering materials ("**Offering Document**") for additional information.

Sub-Advised Accounts

NBS has been engaged by certain affiliates (each an "**Advisory Affiliate**") to act as sub-adviser and/or sub-investment manager in respect of certain pooled investment vehicles (the "**Funds**") and/or accounts managed by such Advisory Affiliates ("**Sub-Advised Accounts**"), whereby such Advisory Affiliates have delegated discretionary authority to NBS.

Separate Accounts

NBS does not currently advise any separate accounts ("**Separate Accounts**") for U.S. clients on securities investments; however, it may do so in the future.

The Funds, Sub-Advised Accounts and/or Separate Accounts to which NBS currently provides investment management services are each referred to in this Brochure as a "**Client**", and collectively referred to as "**Clients**." Further, the Client accounts to which NBS provides investment management services are referred to collectively in this Brochure as "**Client Accounts**."

C. Client Tailored Services and Client Tailored Restrictions

NBS generally provides its investment management services pursuant to a discretionary investment management agreement.

NBS's advisory services are performed in accordance with the terms of each investment management agreement. Each Client may impose investment restrictions or guidelines for its Client Account as it deems appropriate to achieve its particular investment objective. Such investment restrictions and/or guidelines are typically described in the respective Offering Document for each Fund, or in the case of other Client Accounts, in the relevant investment management agreement.

D. Wrap Programs

NBS does not sponsor or participate in wrap fee programs.

E. Assets Under Management

<u>Discretionary Amounts:</u>	<u>Non-Discretionary Amounts:</u>	<u>Date Calculated:</u>
\$194,600,000	\$0	10/30/2013

Item 5: Fees and Compensation

A. Fee Schedule

Funds and Separate Accounts

Client Accounts are charged a management fee. In very limited circumstances, Client Accounts may also be charged a fee based on the performance of the account (a “**performance fee**”) in addition to the management fee. Fees are negotiable and are set forth in the investment management agreement with the Client. There may be differences in fees paid by certain Clients or Client Accounts. In addition, some Client Accounts may pay more or less than others for the same or similar services depending on, for example, account inception dates, number or value of related accounts, total assets under management, fee negotiation, fee waiver or the manner in which NBS services are obtained.

Detailed descriptions of the management and performance fees can be found in the respective Offering Documents of the Funds.

Sub-Advised Accounts

Sub-advisory fees for the Sub-Advised Accounts are individually negotiated and vary depending on the account. NBS receives management fees in its role as sub-adviser to certain funds offered or sponsored by its affiliates.

B. Payment Method

Calculation and Payment of Fees

Management fees generally accrue on a daily or monthly basis, depending on the particular requirements of each Client Account, and generally are charged monthly in arrears as documented in the relevant investment management agreement. Where a performance fee is charged for a Client Account, such fees accrue on a daily, monthly or other basis, depending on the particular requirements of each Client Account, and may be payable semi-annually or annually in arrears, as set forth in the investment management agreement of each particular Client Account.

Client Accounts may be invoiced for any management fees or performance fees (where applicable), or such fees may be deducted directly from the Client Account, in accordance with the investment management agreement governing the particular Client Account.

Where NBS begins managing an account during the applicable fee calculation period, the fee charged for such period will be pro-rated based on the portion of the period that NBS actually manages the account.

Termination of an agreement will not affect or preclude the consummation of any transaction initiated prior to termination and the Client Account may be subject to transaction-related costs associated with the unwinding of such transactions.

Valuation of Assets

The market value of securities and other financial instruments are valued by unaffiliated third-party service providers which also serve as administrator or custodian for NBS Client Accounts. NBS uses market values of securities generally obtained from various quotation services for its own internal purposes. Each Client retains a third-party administrator or custodian to provide various administrative services to the Client. For each Client, this may include keeping the official books and records, calculating the Client Account's NAV, as well as other administrative services on behalf of the Client.

Where significant issues regarding valuation arise in respect of the Funds that cannot be addressed by the methods described above, NBS will refer to the European Valuations and Pricing Committee to evaluate the issues and seek prompt resolution thereof.

C. Other Fees and Expenses

In addition to the management and performance fees paid to NBS, Client Accounts are charged other fees associated with their accounts and investments. Such fees include the following:

Custodial Fees

Each Client has generally engaged either a prime broker or custodian, depending on the specific requirements of the Client, to hold the Client's assets and will bear any fees charged by such prime broker or custodian. To the extent that cash is held in such accounts and fees are charged by the provider of such service, the fees so incurred by the Client will be in addition to the fee payable to NBS on the overall value of the account. See Item 15.

Transaction-Related Fees

Client Accounts generally must bear all transaction-related costs, including brokerage commissions, for transactions affected for the account. See Item 12.

Other Fees and Expenses

Investors in the Funds will incur other fees and expenses associated with their investments in such Funds. Fund expenses are described in the respective Fund's Offering Document. These expenses, in addition to brokerage and other transaction-related costs will generally include the

fees and expenses of other service providers to the Fund, such as prime brokers, custodians, transfer agents, administrators, valuation agents, auditors and counsel.

The Client Accounts may themselves invest in other funds as described in each Fund's Offering Document or investment management agreement. To the extent a Client Account invests in another unaffiliated fund it will bear the costs and expenses associated with an investment in that underlying fund. If, however, a Client Account invests in another affiliated Fund, the fees associated with that underlying fund will typically be waived.

D. Prepayment of Fees and Refunds

As described above, management fees may be paid monthly or quarterly, in arrears depending on the particular requirements of each Client Account. Certain Clients are charged performance fees at the end of their fiscal year, or upon withdrawal by an investor in the case of a Fund. Investors should refer to the applicable Offering Document if investing in a Fund for more information related to fees.

E. Sales Compensation

NBS's products and strategies may be marketed by the Firm's central sales force which also markets the products and strategies of NBS's affiliates. Certain members of the sales force are registered representatives of NBS's affiliate, Neuberger Berman LLC ("**NB LLC**") and as such, with respect to the Funds offered by NBS and other pooled investment vehicles offered by its affiliates, may be entitled to sales compensation in connection with the introduction of investors to such funds. Given that the sales persons may market a wide range of products offered by NBS and its affiliates, with differing sales compensation, the sales persons may have an incentive to promote or recommend certain products over others based on the compensation to be received and not on the specific requirements or investment objectives of the investor.

The Firm's central sales force also markets the investment management products and services of NBS for which certain members may not receive any direct compensation. Certain Firm employees who are not members of the central sales force may be eligible to earn an account referral bonus for referring a Client to NBS.

Item 6: Performance-Based Fees and Side-By-Side Management

Performance-Based Fees

“Performance-Based Fees” are fees that are based on a share of the capital gains or capital appreciation of the assets of an account. Examples of performance-based fees include, but are not necessarily limited to:

- an incentive fee, where the fee is calculated as a percentage of a fund’s profits, taking into consideration both realized and unrealized profits;
- high water mark, where the manager receives performance fees only on increases in the net asset value of a fund in excess of the highest net asset value it has previously achieved; and
- hurdle rate, where a manager does not charge a performance fee until the fund’s annualized performance exceeds a benchmark rate, such as T-bill yield, LIBOR or a fixed percentage.

NBS does not currently charge performance fees in connection with the management of any Client Accounts.

To the extent that NBS and its portfolio managers manage accounts that charge both management fees and performance fees, NBS and/or its portfolio managers may have a conflict of interest in that an account with a performance fee arrangement will offer the potential for higher profitability when compared to an account with management fee. Performance fee arrangements may create an incentive for NBS and/or its portfolio managers to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Performance fee arrangements may also create an incentive to favor higher fee paying accounts over other accounts in the devotion of time, resources and allocation of investment opportunities.

To manage these conflicts, NBS has adopted a number of compliance policies and procedures. These policies and procedures include (i) the Code of Ethics (see Item 11), (ii) various NBS Compliance policies and procedures including the NBS Trading Policy, which seek to ensure that investment opportunities are allocated fairly among Clients and that all accounts are managed in accordance with their investment mandate, and (iii) best execution and order allocation monitoring reasonably designed to identify unfair or unequal treatment of accounts. NBS does not consider fee structures in allocating investment opportunities.

Item 7: Types of Clients

Set forth below are the minimum account requirements for NBS's Client Accounts:

The minimum investment required by an investor in a Fund varies depending on the particular Fund. In general, NBS requires a commitment in excess of \$50 million in order to set up a Separate Account, but may consider smaller investments in its discretion. A detailed description of the minimum investments for each Fund is contained in the relevant Fund's Offering Documents.

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

A. Methods of Analyses

Investment Analysis

NBS, either directly, or indirectly through its sub-advisers, utilizes a variety of investment analysis methodologies including:

- ***Charting analysis*** involves the use of patterns in performance charts. NBS uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.
- ***Fundamental analysis*** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.
- ***Technical analysis*** involves the analysis of past market data; primarily price and volume.
- ***Cyclical analysis*** involves the analysis of business cycles to find favorable conditions for buying and/or selling a security.
- ***Qualitative analysis*** involves the subjective evaluation of non-quantifiable factors such as the quality of management, labor relations, and strength of research and development factors not readily subject to measurement, in an attempt to predict changes to share price based on that data.

Portfolio managers of NBS bear primary responsibility for implementing the day-to-day investment activities and decisions on behalf of each Client Account and may consider these and other factors when implementing a Client Account's investment program.

Sources of Information

In conducting investment analysis, NBS utilizes a broad spectrum of information, including, but not limited to:

- financial publications, industry and trade journals;
- inspections of corporate activities;
- proprietary and third-party research materials;
- corporate rating services;
- annual reports, prospectuses, and filings with the SEC or regulators in other jurisdictions;

- newspapers, magazines, websites, trade journals;
- discussions and meetings with NBS's staff of research analysts;
- charts, statistical material and analysis;
- company press releases, presentations and interviews (in person or by telephone);
- contact or meetings with management of various companies, analysts and consultants;
- personal assessment of the financial consequences of world events derived from general information; and
- such other material as is appropriate under the particular circumstances.

NBS may also rely on the research and portfolio management of its Advisory Affiliates. See Item 10.C.3.

B. Investment Strategies

Investments in securities and other assets involve risk of loss that investors must be prepared to bear.

In carrying out its discretionary investment strategies, NBS, or its sub-advisers, may offer advice on a wide range of securities and other financial instruments including, but not limited to:

- Corporate debt securities;
- Asset-backed securities, including, without limitation, mortgage-backed securities;
- Loan assets, including, without limitation, distressed debt;
- Rule 144A securities;
- Convertible bonds;
- Commercial paper;
- Certificates of deposit;
- Money market instruments;
- Municipal securities;
- Depositary receipts;

- Sovereign, quasi-sovereign and sub-sovereign securities;
- Supranational securities;
- Warrants;
- GDP performance linked securities (also known as GDP warrants);
- Put and call options;
- Swaptions;
- Inflation-linked securities;
- Exchange traded funds;
- Securities traded over-the-counter;
- Futures contracts on tangibles and intangibles and options thereon;
- Listed and over-the-counter derivatives, including, without limitation, credit default swaps, interest rate swaps, currency swaps, total return swaps, commodity swaps, forward contracts and other synthetic exposure instruments;
- Residential mortgage loans;
- Trade claims;
- Real estate investment trust (REITS);
- Credit-linked notes (CLN) and non-deliverable forward currency contracts (NDF);
- Equity securities;
- Currencies;
- Forward currency contracts;
- Investments in registered and unregistered investment companies (including mutual funds);
- Sukuk (Islamic bonds); and
- Other alternative investments.

To the extent NBS uses derivative instruments, it does so consistent with each Client Account's investment objective and policies, including hedging, managing risk, or attempting to enhance returns. Additionally, NBS may hedge its exposure to currency fluctuations for foreign securities

owned by Clients. For Funds that offer non-U.S. dollar denominated share classes, or Clients with non-U.S. denominated accounts, NBS may also engage in foreign exchange hedging activities in an attempt to limit currency fluctuations (relative to the U.S. dollar).

As financial markets and products evolve, or at the investment discretion of NBS, NBS may invest in other financial instruments or securities, whether currently existing or developed in the future, when consistent with the guidelines, objectives and policies of a Client Account.

As previously noted, NBS may provide investment management services in relation to investment strategies, which are delegated to, and managed by, Advisory Affiliates. As such, Client participation in such other types of investments will be performed consistent with the Advisory Affiliate's respective compliance policies and procedures and applicable rules and regulations.

Subject to firm-wide restrictions dealing with prudence, conflicts of interest and compliance with securities laws and regulations, the purchases and sales for Client Accounts is based upon the judgment of the individual portfolio manager or group supervising the particular account, who are encouraged to use those methods with which they have been successful.

The following is a summary of the principal investment strategies employed by NBS, either directly or indirectly through its sub-advisers. Certain material risks associated with these strategies are set forth in Section (C), below. This is a summary only. Clients should not rely solely on the descriptions provided below.

- **Cash and Short Term Duration Strategies:** The focus is on investment strategies that utilize short-term instruments and bonds with durations of less than five years. The investment team that manages these strategies primarily manages client accounts with broader discretion to utilize securities with longer maturities.
- **Non-Investment Grade Credit Strategies:** The investment team for these strategies focuses on high yield bonds, leveraged loans, and distressed debt investing strategies. The high yield strategy focuses on investing in non-investment grade fixed income securities for Client Accounts that permit full discretion to invest across broad credit tiers as well as Client Accounts that are limited in terms of minimum credit rating. The distressed debt strategy seeks to provide investors with attractive risk-adjusted returns through long biased, opportunistic stressed, distressed and special situation investments in cred-related products. This strategy may invest with the intention of taking a control position in a company or as a non-control participant.
- **Investment Grade Strategies:** The investment team for these strategies focus on a universe of investment grade issuers. The strategies are utilized in Client Accounts that span a continuum from highly structured portfolios with tight risk constraints to those that provide broad discretion with less focus on tracking error variability, including exposure to below-investment grade investments in some cases.
- **Crossover Credit Strategies:** The investment team for this strategy focuses on investment grade credit, high yield bonds and leveraged loans. The crossover credit

strategy invests in both investment grade and non-investment grade fixed income securities for Client Accounts that permit full discretion to invest across credit tiers as well as Client Accounts that impose limitations in terms of minimum credit rating.

- **Emerging Market Debt Strategies:** The focus of the investment team for these emerging market debt strategies is hard currency, local currency and corporate debt strategies. These strategies may be applied to the management of an entire Client Account or a portion of a Client Account invested in other NBS or other affiliates' strategies. Derivative instruments are frequently utilized in these strategies. The hard currency strategy primarily invests in debt instruments denominated in core currencies such as U.S. dollars, Euro and Japanese Yen ("Hard Currency") and issued by issuers (sovereign, quasi-sovereign, sub-sovereign or corporate) which have their head office or exercise an overriding part of their economic activity in emerging market countries. The local currency strategy primarily invests in debt instruments denominated in, or exposed to, local currencies and issued by issuers (sovereign, quasi-sovereign, sub-sovereign or corporate) from emerging market countries. The corporate debt strategy primarily invests in debt instruments issued by corporate issuers in emerging market countries, which may be denominated in Hard Currency or the currencies of such emerging market countries.
- **Global Bond Strategy:** The focus is on investment grade debt securities issued by governments and corporations from countries comprising the Organisation for Economic Co-operation and Development (OECD). Securities may be dollar and non-dollar denominated. This strategy may be applied to the management of an entire Client Account or a portion of a Client Account invested in other NBS strategies.
- **Quantitatively Driven Strategies:** Includes a broad array of strategies that incorporate internally developed quantitative investment models that seek to exploit short-term and long-term investment opportunities.

The above referenced investment strategies are a summary only. Clients and/or Investors should look to their investment management agreements, the relevant Offering Documents of a particular Fund and other Client materials provided by NBS in its presentation of the particular strategy for a more complete description of each strategy and its associated risks and consult with their own counsel and advisers as to all matters concerning an investment in the respective Fund. Investors should not rely solely on the descriptions provided herein.

C. Material Risks

Investments in securities and other financial instruments involve risk of loss that investors must be prepared to bear.

The following is a summary of the principal risks associated with the investment strategies managed by NBS, or its sub-advisers, in its Client Accounts. This is a summary only and not every strategy may be subject to every risk discussed below:

Absence of Regulatory Oversight for Funds. The Funds are not registered as investment companies under the Investment Company Act of 1940, as amended (“Investment Company Act”), and, accordingly, the significant investor protection provisions of the Investment Company Act (which provides certain regulatory safeguards to investors in registered investment companies), will not apply to investments in the Funds.

Asset-Backed Securities. Asset-backed securities represent direct or indirect participations in, or are secured by and payable from, pools of assets such as, among other things, motor vehicle installment sales contracts, installment loan contracts, leases of various types of real and personal property, and receivables from revolving credit (credit card) agreements, or a combination of the foregoing. These assets are securitized through the use of trusts and special purpose vehicles. Credit enhancements, such as various forms of cash collateral accounts or letters of credit, may support payments of principal and interest on asset-backed securities. Although these securities may be supported by letters of credit or other credit enhancements, payment of interest and principal ultimately depends upon individuals or other borrowers paying the underlying loans, which may be affected adversely by general downturns in the economy. Asset-backed securities are subject to the same risk of prepayment associated with mortgage-backed securities.

Bank Loan Agents. Bank loans are typically administered by a bank, insurance company, finance company or other financial institution (the “agent”) for a lending syndicate of financial institutions. In a typical bank loan, the agent administers the terms of the loan agreement and is responsible for the collection of principal and interest and fee payments from the borrower and the apportionment of these payments to all lenders that are parties to the loan agreement. In addition, an institution (which may be the agent) may hold collateral on behalf of the lenders. Typically, under loan agreements, the agent is given broad authority in monitoring the borrower’s performance and is obligated to use the same care it would use in the management of its own property. In asserting rights against a borrower, the Client Account normally would be dependent on the willingness of the lead bank to assert these rights, or upon a vote of the lenders to authorize the action.

If an agent becomes insolvent, or has a receiver, conservator, or similar official appointed for it by the appropriate bank or other regulatory authority, or becomes a debtor in a bankruptcy proceeding, the agent’s appointment may be terminated and a successor agent would be appointed. If an appropriate regulator or court determines that assets held by the agent for the benefit of the purchasers of bank loans are subject to the claims of the agent’s general or secured

creditors, the purchasers might incur certain costs and delays in realizing payment on a bank loan or suffer a loss of principal and/or interest.

Call Risk. When interest rates are low, issuers will often repay the obligation underlying a “callable security” earlier than expected, thereby affecting the investment’s average life and perhaps its yield. Furthermore, the Client Account will likely have to reinvest the proceeds from the called security at the current, lower rates.

Collateralized Loan Obligations (“CLOs”) and Collateralized Debt Obligations (“CDOs”). CLOs and CDOs issue classes or “tranches” that vary in risk and yield, and may experience substantial losses due to actual defaults, decrease of market value due to collateral defaults and disappearance of subordinate tranches, market anticipation of defaults, and investor aversion to CLO and CDO securities as a class. The risks of investing in CLOs and CDOs depend largely on the type of the underlying collateral.

Commodity Risk. A Client Account with investments in physical commodity-linked derivative instruments may be subject to greater volatility than investments in traditional securities. The value of physical commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Because a Client Account may concentrate assets in a particular sector of the commodities market (such as oil, metal or agricultural products), it may be more susceptible to risks associated with those sectors.

Competition for Fund Portfolio Investments. Identifying, completing and realizing attractive private equity investments is highly competitive, and involves a high degree of uncertainty. There can be no assurance that NBS will be able to locate, consummate and exit investments that satisfy a Fund’s investment objectives or realize their values or be able to invest fully a Fund’s committed capital.

Counterparty Risk. To the extent that a Client Account invests in over-the-counter or OTC derivatives, the Client Account is subject to a range of risks, including the credit risk of its derivative counterparty (i.e., counterparty default), the risk of the counterparty delaying the return of or losing collateral relating to OTC derivatives, or the bankruptcy of the counterparty. Although there are risks in the trading of listed derivatives which are settled by means of a clearing house, risks associated with OTC derivatives may differ materially from those involved in exchange-traded transactions that generally are backed by clearing organization guarantees, daily marking-to-market and settlements, and the segregation and minimum capital requirements applicable to the financial intermediaries participating on the exchange. OTC derivatives entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default, especially in instances where OTC derivatives are not collateralized. From time to time, the counterparties with which a Client Account effects transactions might cease making markets or quoting prices in certain of the instruments. In such instances, a Client Account might be unable to enter into a desired transaction or to enter into any offsetting transaction with respect to an open position, which

might adversely affect its performance. Further, in contrast to exchange-traded instruments, forward or spot contracts generally do not provide a trader with the right to offset its obligations through an equal and opposite transaction. For this reason, a Client Account entering into forward or spot contracts must be required and able to perform its obligations under the contract.

Credit Default Swaps. Certain Client Accounts in accordance with their investment guidelines may purchase and sell credit derivatives — such as credit default swaps (or “CDS”) referencing single names, a basket or an index—both for hedging and other purposes. The typical CDS contract requires the protection seller (which is, in trade parlance, the “seller of protection” or the seller of the CDS) to pay to the protection buyer, (or the “buyer of protection”) a settlement amount, typically in cash, upon the occurrence of a “credit event”. A credit event is a failure to pay, default, bankruptcy, moratorium or restructuring of the debt referenced in the CDS, and the settlement amount generally is the difference between, in the case of a CDS referencing a single name, the notional amount of the contract and the value of a referenced bond or portfolio of securities issued by the reference entity (after the occurrence of a credit event) that the buyer of protection delivers to the protection seller (cash settlement is also a widely accepted form of CDS settlement). In return, for cash or physical settlement by the protection seller upon the occurrence of a credit event, the protection buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract.

As a buyer of protection under the terms of a CDS which calls for physical settlement, the Client Account may be exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called “short squeeze.” In these and other instances involving a reference obligor (or issuer) default, or restructurings of debt underlying the CDS, there was at least in the past a lack of clarity over whether or not a “credit event” triggering the protection seller’s payment obligation had occurred and an inability to settle the CDS by physical delivery.

Industry committees have been formed to address these issues but the possibility of dispute over the existence or non-existence of a credit event still exists albeit in limited cases. If such a dispute were to occur, the Client Account may not be able to realize the full value of the CDS upon a default by the reference entity.

As a seller of CDSs, the Client Account may incur leveraged exposure to the credit of the reference entity and may be subject to many of the same risks they would incur if the Client Account was the holder of debt securities issued by the reference entity. CDSs synthetically replicate bond ownership. However, depending on the circumstances, if the Client Account is a party to a CDS, it will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity’s debt obligations. In the past, the CDS buyer was able to exercise broad discretion to select which of the reference entity’s debt obligations to deliver to the Client Account following a credit event and would in that case likely choose the obligations with the lowest market value in order to maximize the payment obligations of the Client Account. Today, CDS buyers have more limited discretion to settle CDSs after the occurrence of a credit event. This is due to industry-wide efforts to bring about more effective settlement of CDS.

More recently, trade group-led efforts have attempted to minimize certain risks associated with CDS settlement. After February 2007, the International Swaps and Derivatives Association (“ISDA”), in an effort to standardize CDSs, reduce settlement risk and minimize difficulties previously associated with physical settlement, published templates to facilitate the settlement of CDSs referencing single-names. Settlement of single-name CDSs was then subject to industry-wide protocols published by ISDA which were designed to bring about cash settlement of most single-name CDSs; cash settlement is based on the final price of the obligations of the reference entity under the CDS as determined by an auction following the determination of a credit event by a committee led by ISDA. Five years later, in February 2012, ISDA published a new series of standard template documentation for trading CDSs based on an index (CDX and iTraxx). The Client Account may enter into a single name, basket, or index-based CDS but many of the risks accompanying CDS (including settlement risk, risk that a credit event specified in the CDS may not be formally declared) may still exist as industry-led protections to minimize such risks are relatively new and untested.

Credit Risk. A Client Account could lose money if the issuer or guarantor of a security (including a security purchased with securities lending collateral), or the counterparty to a derivatives contract, repurchase agreement or a loan of portfolio securities, is unable or unwilling, or is perceived (whether by market participants, rating agencies, pricing services or otherwise) as unable or unwilling, to honor its obligations. The downgrade of the credit of a security or of the issuer of the security held by the account may lessen its value. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings.

Currency. Currency fluctuations could negatively impact investment gains or add to investment losses. The value of Client Accounts invested in currencies may rise and fall due to exchange rate fluctuations in respect of the relevant currencies. Adverse movements in currency exchange rates can result in a decrease in return and a loss of capital. The investments may be hedged. However, currency hedging transactions, while potentially reducing the currency risks to which a Client Account would otherwise be exposed, involve certain other risks, including the risk of a default by a counterparty. Where a Client Account engages in foreign exchange transactions which alter the currency exposure characteristics of its investments, the performance of such Client Account may be strongly influenced by movements in exchange rates as currency positions held by the Client Account may not correspond with the securities positions held. Where a Client Account enters into “cross hedging” transactions (e.g., utilizing currency different than the currency in which the security being hedged is denominated), the Client Account will be exposed to the risk that changes in the value of the currency used to hedge may not correlate with changes in the value of the currency in which the securities are denominated, which could result in losses in both the hedging transaction and the Client Account securities.

Dependence on NBS. The performance of a Client Account depends on the skill of NBS (or a sub-adviser to which NBS delegates investment authority) and its portfolio managers in making appropriate investment decisions. Any Client Account’s success depends on NBS’s ability to develop and implement investment strategies and to apply investment techniques and risk analyses that achieve the Client Account’s investment objectives. Subjective decisions made by NBS (or a sub-adviser) may cause the account to incur losses or to miss profit opportunities on which it may otherwise have capitalized.

Derivatives. Derivatives are financial contracts whose value depend on, or are derived from, the value of an underlying asset, reference or index. Derivatives may be used in Client Accounts as part of a strategy designed to reduce exposure to other risks or to take a position in an underlying asset. Derivatives may involve risks different from, or greater than, those associated with more traditional investments. Derivatives can be highly complex, can create investment leverage and may be highly volatile, which could result in the Client Account losing more than the amount it invested. Derivatives may be difficult to value and highly illiquid, and the Client Account may not be able to close out or sell a derivative position at a particular time or at an anticipated price. NBS is not required to engage in derivative transactions to achieve the foregoing purposes, even when doing so would be beneficial to the account.

Distressed Securities. A Client Account where the strategy invests in distressed securities may be exposed to greater risks than if the strategy only invested in higher grade securities. Distressed securities are those issued by companies that are, or might be, involved in reorganizations or financial restructurings, either out of court or in bankruptcy. As a result, it is often difficult to obtain information as to the true condition of financially distressed securities. In certain periods, there may be little or no liquidity in the markets for distressed securities or instruments. The prices of such securities may be subject to periods of abrupt and erratic market movements and above-average price volatility and it may be more difficult to value such securities. The account may lose a substantial portion of all of its investment in distressed securities or it may be required to accept cash or securities with a value less than the account's original investment.

Emerging Markets. Emerging markets are those of countries with immature economic and political structures. Securities issued in emerging markets have more risk than securities issued in more developed foreign markets. Investing in emerging markets may involve heightened and significant risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include, but are not limited to: (i) greater social, economic and political uncertainty including war; (ii) higher dependence on exports and the corresponding importance of international trade; (iii) greater risk of inflation; (iv) increased likelihood of governmental involvement in and control over the economies; (v) governmental decisions to cease support of economic reform programs or to impose centrally planned economies; (vi) the possibility of nationalization, expropriation, confiscatory tax policies and social instability; and (vii) considerations regarding the maintenance of a Client Account's securities and cash with non-U.S. brokers and custodians. Emerging market securities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls and national and international political circumstances. These factors may affect the level and volatility of securities' prices and the liquidity of the account's investments. Volatility or illiquidity could impair an account's profitability or result in losses. In addition, custodial and/or settlement systems may not be fully developed in emerging market countries, thereby exposing a Client's Account to the risk of a sub-custodian's failure with no recourse against the custodian.

Equity Market Risk. Client Accounts invested in equity securities (e.g., common stocks, preferred stocks, convertible securities, rights, warrants and Depositary Receipts ("DRs")) are

subject to market risks that may cause their prices to fluctuate over time. Historically, the equity markets have moved in cycles and the value of the strategy's securities may fluctuate substantially from day to day. Investments in income-producing equity securities are also subject to the risk that the issuer may discontinue paying dividends.

Failure to Make Capital Contributions. With respect to Funds that utilize investor capital calls, the consequences of defaulting on a capital call notice generally are material and adverse to the defaulting investor. In addition, if an investor fails to make a capital contribution when due and the capital contributions made by non-defaulting investors and short-term borrowings by the Fund are inadequate to cover the defaulted capital contribution, the Fund itself may be unable to pay its obligations when due. As a result, Funds may be subjected to significant penalties that could materially adversely affect the returns to the non-defaulting investors.

Fixed Income Securities. Fixed-income securities include traditional debt securities issued by corporations, such as bonds and debentures and debt securities that are convertible into common stock and interests. The market value of fixed-income securities is sensitive to changes in interest rates. In general, when interest rates rise, the fixed income security's market value declines and when interest rates decline, its value rises. Normally, the longer the remaining maturity of a security, the greater the effect of interest rate changes on the market value of the security. In addition, changes in the ability of an issuer to make payments of interest and principal and in the market's perception of an issuer's creditworthiness affect the market value of fixed-income securities of that issuer.

Fixed-income securities may also be subject to yield curve risk. When the yield curve shifts, the price of a bond which was initially priced based on the initial yield curve will change. Yield curve risk is reduced by keeping the duration of the bond portfolio relatively short.

Additionally, fixed-income securities are subject to inflation risk, liquidity risk and reinvestment risk. Inflation risk is the risk that inflation will erode the purchasing power of the cash flows generated by debt securities. Fixed-rate debt securities are more susceptible to this risk than floating rate debt securities. Liquidity risk is the risk that certain fixed income securities may be difficult to sell at the time and at the price the account would like, which may cause the account to hold these securities for longer than it would like or to forego other investment opportunities. Reinvestment risk is the risk that when interest income from debt securities is reinvested, interest rates will have declined so that income must be reinvested at a lower interest rate. A decline in income could affect an account's overall return.

Foreign Securities. Securities in different jurisdictions, including countries with immature economic and political structures, can be volatile and experience rapid and extreme changes in price. Securities in such jurisdictions are generally small markets with a limited number of issuers representing fewer industries. In many countries, there is less publicly available and lower quality information about issuers than is available in the reports and ratings published about issuers in more economically developed jurisdictions. In addition issuers from such jurisdictions may not be subject to uniform accounting, auditing and financial reporting standards. Many securities from these jurisdictions may be less liquid than those from more economically sophisticated jurisdictions, which could affect the investments under a strategy

that utilizes these types of securities. Further, exchange rates between currencies might fluctuate, which could negatively affect the value of the strategy's investments.

Securities from varying jurisdictions are also subject to higher political, social and economic risks. These risks include, but are not limited to, a downturn in the country's economy, excessive taxation, political instability, exchange control regulations and expropriation of assets by foreign governments. Adverse conditions in a particular region could negatively affect securities of countries whose economies appear to be unrelated or not interdependent. Compared to the United States, foreign governments and markets often have less stringent accounting, disclosure and financial reporting requirements.

Forward Trading. If Client Account investment guidelines permit, NBS may enter into forward contracts and options thereon which are not traded on exchanges and are generally not regulated on behalf of such account. There are no limitations on daily price moves of forward contracts. Banks and other dealers with which a Client Account may maintain accounts may require the Client Account to deposit margin with respect to such trading, although margin requirements are often minimal or non-existent. The counterparties are not required to continue to make markets in such contracts and these contracts can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain counterparties have refused to continue to quote prices for forward contracts or have quoted prices with an unusually wide spread (the price at which the counterparty is prepared to buy and that at which it is prepared to sell). Arrangements to trade forward contracts may be made with only one or a few counterparties, and liquidity problems therefore might be greater than if such arrangements were made with numerous counterparties. The imposition of credit controls by governmental authorities might limit such forward trading to less than that which NBS would otherwise recommend, to the possible detriment of a Client Account. Market illiquidity or disruption could result in major losses to a Client Account. In addition, a Client Account may be exposed to credit risks with regard to counterparties with whom they trade as well as risks relating to settlement default. Such risks could result in substantial losses to a Client Account.

Fraudulent Conveyance Considerations. Various laws enacted for the protection of creditors may apply to certain investments that are debt obligations, although the existence and applicability of such laws will vary from jurisdiction to jurisdiction. For example, if a court were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment and the grant of any security interest or other lien securing such investment, and, after giving effect to such indebtedness, the borrower (i) was insolvent, (ii) was engaged in a business for which the assets remaining in such borrower constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could invalidate such indebtedness and such security interest or other lien as a fraudulent conveyance, subordinate such indebtedness to existing or future creditors of the borrower or recover amounts previously paid by the borrower (including to a Client Account) in satisfaction of such indebtedness or proceeds of such security interest or other lien previously applied in satisfaction of such indebtedness. In addition, if an issuer in which a Client Account has an investment becomes insolvent, any payment made on such investment may be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year) before insolvency.

In general, if payments on an investment are voidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient or from subsequent transferees of such payments. To the extent that any such payments are recaptured from a Client Account, the resulting loss will be borne by the client or investors in a fund, as applicable.

Futures. NBS may engage in regulated futures transactions. Trading in futures and options on futures involved significant risks, including the following: (i) futures contracts and options on futures are volatile in price; (ii) futures trading is highly leveraged; (iii) futures trading may be illiquid; (iv) the clearing broker, or “futures commission merchant” may misuse or lose collateral (“margin”) associated with the futures contracts; and (v) the clearing broker may default, file for bankruptcy or be insolvent for any number of reasons including the default of a customer of the broker, and such event may lead to a loss within the Client Account of margin deposits made by the Client Account. Client Accounts may sustain a total loss of the futures contracts including the initial margin and any maintenance margin that it deposits with a broker to establish or maintain a position in the commodity futures market. If the market moves against a position in a Client Account such Client Account may be required to deposit a substantial amount of additional margin, on short notice, in order to maintain its position. If the Client Account does not provide the required margin within the prescribed time, its position may be liquidated at a loss, and the Client will be liable for any resulting deficit in its account. The high degree of leverage that is often obtainable in futures trading, can work against a Client Account, as well as for it. The use of leverage can lead to large losses. Futures markets in certain countries may have greater risk than other futures markets. Trading on commodity exchanges in less economically sophisticated jurisdictions may not be regulated to the same extent as more economically sophisticated jurisdictions, and as such may be subject to greater risks. Futures markets may also be illiquid which could prevent NBS from promptly liquidating unfavorable positions and adversely affect trading and profitability.

General Risks of Owning Physical Assets. From time to time, particularly with respect to the distressed debt and residential loan modification strategies, a Client Account may be involved in transactions which result in the Client Account owning physical assets (typically collateral for secured loans acquired by the Client Account) directly. In such cases, the Client Account will be subject to all the risks inherent in owning physical assets such as real estate. These risks may include, without limitation: general and local economic and social conditions; fluctuations in asset values; over-concentration in the physical asset, declines in the financial resources of the prospective purchasers or lessees for such assets; a drop in demand and/or an increase in the competition for such assets; storage, insurance and other maintenance costs; destruction, spoilage, impairment, damage, depreciation and obsolescence; changes in tax, environmental and other applicable laws and regulations, increasing the costs and/or restricting the use of such assets; environmental protection penalties and liabilities (including those attributable to the conduct of prior owners of such assets); increases in interest rates and, accordingly, of the cost of inventory as well as of the availability of financing in order to maintain such assets or to finance purchases of such assets; a shortage of financing (irrespective of interest rates); and/or increases in operating expenses which could adversely affect the value of such assets to a potential purchaser or lessee. There can be no assurance of the profitable ownership or operation of any physical asset. The cost of operating and/or maintaining an asset may

materially exceed the income or sale proceeds generated by such asset, while such asset itself — as opposed to the loans formerly secured by such asset — may not generate any cash flow.

Hedging. Hedging techniques involve one or more of the following risks: (i) imperfect correlation between the performance and value of the hedging instrument and the Client Account's position being hedged; (ii) possible lack of a secondary market for closing out a position in such instruments; (iii) losses resulting from interest rate, spread or other market movements not anticipated by NBS; (iv) the possible obligation to meet additional margin or other payment requirements, all of which could worsen the Client Account's position; and (v) default or refusal to perform on the part of the counterparty with which the Client Account trades. Furthermore, to the extent that any hedging strategy involves the use of over-the-counter derivatives transactions, such strategy will be affected by implementation of the various regulations adopted pursuant to the Dodd-Frank Act.

Illiquid Securities. Illiquid securities are securities that are not readily marketable, and as a result, may be more difficult to purchase or sell at an advantageous price or time. A Client Account could lose money if it cannot sell a security at the time and price that would be most beneficial to it. Further, the lack of an established secondary market may make it more difficult to value illiquid securities, which could vary from the amount the Client Account could realize upon disposition.

Increased Prepayment Risks with To-Be-Announced ("TBA") Mortgage-Backed Securities. NBS may sell TBA mortgage-backed securities it has committed to purchase on behalf of Client Accounts before those securities are delivered to the account on the settlement date. The account may also enter into a TBA agreement and "roll over" such agreement prior to the settlement date by selling the obligation to purchase the pools set forth in the agreement and entering into a new TBA agreement for future delivery of mortgage-backed securities. TBA mortgage-backed securities may increase prepayment risks because the underlying mortgages may be less favorable than anticipated by NBS.

Junior Loans. NBS's loan strategy may utilize secured and unsecured subordinated loans and second lien loans ("Junior Loans"). Secured second lien loans are generally second in line in terms of repayment priority. A secured second lien loan may have a claim on the same collateral pool as the first lien or may be secured by a separate set of assets, such as property, plants, or equipment. Second lien loans generally give investors priority over general unsecured creditors in the event of an asset sale. Junior Loans are subject to the same general risks inherent to any loan investment, including credit risk, market and liquidity risk, and interest rate risk. Due to their lower place in the borrower's capital structure, Junior Loans involve a higher degree of overall risk than senior loans of the same borrower.

Lack of Liquidity. There is no public market for interests in the Funds. Substantial transfer restrictions typically exist with respect to such interests. Investors can only redeem all or any permissible part of their investments in accordance with the governing documents of the Fund, and may be subject to suspensions and other restrictions.

Leverage. The use of leverage allows NBS to control positions with a nominal value significantly more than its investment in such positions. As such, the amount that NBS may lose in the event of adverse price movements will be high in relation to the amount of its investment. In the presence of leverage, relatively small price movements in market prices may result in immediate and substantial losses to Client Accounts.

Litigation. Foreclosures and reorganizations are contentious and adversarial. It is by no means unusual for participants to use the threat of, as well as actual, litigation as a negotiating technique. NBS anticipates that the Firm and/or Client Accounts that invest in distressed debt or the residential loan modification strategies may be named as defendants in civil proceedings relating to certain of such accounts' investments. The expense of defending against such claims and paying any resulting settlements or judgments will generally be borne by the relevant Client Account. Any indemnification obligations would adversely affect such Client Account's returns. With respect to Funds, indemnification obligations will generally survive the dissolution of the Fund, and may cause NBS to retain a material reserve from what would otherwise have been the winding-up proceeds distributed to investors.

Loan Interests. Loans generally are subject to restrictions on transfer, and NBS may be unable to sell loans at a time when it may otherwise be desirable to do so or may be able to sell them only at prices that are less than their fair market value. NBS may find it difficult to establish a fair value for loans held by the Client Account. Loans normally are not registered with the SEC or any state securities commission or listed on any securities exchange. As a result, the amount of public information available about a specific loan historically has been less extensive than if the loan were registered or exchange traded. Bank loan interests may also not be rated by independent rating agencies. Therefore, investments in a particular loan may depend almost exclusively on the credit analysis of the borrower performed by NBS. Also, there is a risk that the value of the collateral securing a loan may decline after the Client Account invests or that the collateral may not be sufficient to cover the amount owed to the Client Account. Loans are also subject to the risk of a borrower defaulting, which may limit or delay the account's access to the collateral under bankruptcy or other insolvency laws. Additionally, if the account acquires a participation interest in a loan, it may not be able to control the exercise of any remedies that the lender would have under the loan and likely would not have any rights against the borrower directly. Loans purchased by an account may represent interests in loans made to finance highly leveraged corporate acquisitions, known as "leveraged buyout" transactions, leveraged recapitalization loans and other types of acquisition financing. The highly leveraged capital structure of the borrowers in such transactions may make such loans especially vulnerable to adverse changes in economic or market conditions.

Lower-Rated Debt Securities. Fixed income securities receiving below investment grade ratings may have speculative characteristics, and, compared to higher-grade securities, may have a weakened capacity to make principal and interest payments in adverse economic conditions or other circumstances. High-yield, high-risk, and lower rated securities are subject to additional risk factors, such as increased possibility of default, decreased liquidity and fluctuations in value due to public perception of the issuer of such securities. In addition, both individual high-yield securities and the entire high yield bond market can experience sharp price

swings due to a variety of factors, including changes in economic forecasts, stock market activity, large sustained sales by major investors or a high profile default.

Market Events. World financial markets may, from time to time, experience extraordinary market conditions. In reaction to these events, regulators in the U.S. and other countries may undertake extraordinary regulatory measures, such as bailout and liquidity programs. The U.S. government and securities regulators of other jurisdictions may also implement other measures seeking to stabilize and further regulate U.S. and global financial markets. Despite these efforts, global financial markets may remain volatile.

Master Limited Partnerships (“MLPs”). Investments in securities (units) of MLPs involve risks that differ from an investment in common stock. Holders of the units of MLPs have more limited control and limited rights to vote on matters affecting the partnership. For example, unit holders may not elect the general partner or the directors of the general partner and they have limited ability to remove a MLP’s general partner. MLPs may issue additional common units without unit holder approval, which would dilute existing unit holders. In addition, conflicts of interest may exist between common unit holders, subordinated unit holders and the general partner of a master limited partnership, including a conflict arising as a result of incentive distribution payments. There are also certain tax risks associated with an investment in units of MLPs.

Model Valuations Risk. Certain of the Funds’ investments, particularly those that invest in asset-backed securities and mortgage loans, will be based, in part, on complex models that incorporate a range of different inputs. Inadequate or incorrect factual information, misstated assumptions, as well as unforeseeable changes in economic factors can cause these models to yield materially inaccurate valuations — even if the model is fundamentally sound. Moreover, there can be no assurance that NBS’s models are fundamentally sound or contain fully accurate data. The models used by NBS will typically require certain market forecasts that are based on analytical models and assumptions. There can be no assurance that such models are accurate or that assumptions are not oversimplified, which would adversely affect market forecasts leading to potential losses and cash flow insufficiencies.

Mortgage-Backed Securities. Mortgage-backed securities represent “pools” of mortgages and other assets, including consumer loans or receivables held in trust. Investment in mortgage-backed securities poses several risks, including market and credit risk. Generally, rising interest rates tend to extend the duration of fixed rate mortgage-backed securities, making them more sensitive to interest rate changes. When interest rates decline, borrowers may pay off their mortgages sooner than expected. This can reduce the return in a Client Account because the account may have to reinvest those funds at lower prevailing interest rates. Market risk reflects the risk that the price of a security may fluctuate over time. Credit risk reflects the risk that the strategy may not receive all or part of its principal because the issuer or credit enhancer has defaulted on its obligations. In addition to these risks, the recent events related to the United States housing market have had a severe negative impact on the value of some mortgage-backed securities and resulted in limited liquidity in the secondary market for mortgage-related securities.

Mortgage Loan Modification Risk. Modification of troubled loans and real estate acquired with loan pools involve substantial risks including declines in the value of residential real estate, general economic conditions that contribute to declining home prices, deterioration of a borrower's ability to keep payments current on a modified loan or to refinance a loan, increases in the cost of property maintenance, taxes and insurance, natural disasters and casualty losses, borrower bankruptcies, moratoriums on foreclosures, zoning changes, incomplete or defective loan documentation, and fluctuations in interest rates. In addition, active federal and state government scrutiny and enforcement actions against mortgage loan holders and new legislation could adversely affect the ability to foreclose on a timely basis and impose conditions, restrictions and additional costs on loan modifications. The success of a loan modification program depends significantly on the ability of third party, unaffiliated servicers to follow modification guidelines, negotiate acceptable workout terms, provide delinquency notices, initiate foreclosure proceedings, monitor re-performing loans and liquidate real estate. . Some servicing agreements with third parties provide for incentive compensation as a percentage of cash flows or profits from a modified loan. These arrangements could lead to more aggressive and riskier servicing practices by the servicer that adversely affect the results of a loan modification and may lead to legal or regulatory actions.

Municipal Securities. Municipal securities rely on the creditworthiness or revenue production of their issuers. Municipal securities may be difficult to obtain because of limited supply, which may increase the cost of such securities and effectively reduce a strategy's yield. Typically, less information is available about a municipal issuer than is available for other types of securities issuers. Additionally, because interest income on municipal obligations is normally not subject to regular federal income taxation, the attractiveness of municipal obligations in relation to other investment alternatives is affected by changes in federal income tax rates applicable to, or the continuing tax exempt status of, such interest income. In addition, a Client Account that concentrates its investments in a particular state's municipal bonds may be affected significantly by economic, regulatory or political developments affecting the ability of that state's issuers to pay interest or repay principal. Any provisions of the state's constitution and statutes which limit the taxing and spending authority of the state governmental entities may impair the ability of the state's issuers to pay principal and/or interest on their obligations. Each state's economy may be sensitive to economic problems affecting particular industries. Future state or local political and economic developments, constitutional amendments, legislative measures, executive orders, administrative regulations, litigation and voter initiatives could have an adverse effect on the debt obligations of the state's issuers.

Necessity for Counterparty Trading Relationships. Participants in the OTC markets typically enter into transactions only with those counterparties which they believe to be sufficiently creditworthy. There can be no assurance that NBS will be able to establish the necessary counterparty business relationships to permit it to effect transactions in the OTC markets. An inability to establish such relationships would limit its OTC activities and could require it to conduct a more substantial portion of such activities in the futures markets.

Participation in Control Situations. From time to time with respect to distressed debt investments, subject to the applicable investment guidelines, NBS on behalf of a Client Account will take control positions in an issuer in an effort to maximize value. Not only can control

investments take an inordinately long period to exit, but also the investment manager's position of control can be highly resource-intensive and contentious. NBS and the Client Account may be particularly vulnerable to being named as defendants in litigation relating to their actions while in control of an issuer and may, from time to time, come into possession of material non-public information concerning specific issuers. However, internal structures are in place to prevent misuse of such information.

Projections. NBS will make investments relying, in part, upon projections developed by itself concerning an issuer or its securities or other assets' future performance, cash flow, recovery value and other factors. Projections are inherently uncertain and subject to factors beyond the control of NBS. The inaccuracy of certain assumptions, the failure of an issuer to satisfy certain financial requirements and the occurrence of unforeseen events could cause any such projection to be materially inaccurate.

Rating Agency Risk. NBS may purchase securities for Client Accounts rated by a rating agency. NBS may use these ratings to determine whether to purchase, sell or hold a security. Ratings are general and are not absolute standards of quality. Securities with the same maturity, interest rate and rating may have different market prices. Credit ratings attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value. In addition, rating agencies may fail to make timely changes in credit ratings. An issuer's current financial condition may be better or worse than a rating indicates.

Reliance on Corporate Management and Financial Reporting. NBS will select investments for Client Accounts in part on the basis of information and data filed by issuers of securities with various government regulators, publicly available or made directly available to NBS by such issuers or third parties. Although NBS will evaluate all such information and data and seek independent corroboration when it considers it appropriate and reasonably available, NBS will not always be in a position to confirm the completeness, genuineness or accuracy of such information and data. NBS is dependent upon the integrity of the management of such issuers and of such third parties as well as the financial reporting process in general. Client Accounts may incur material losses as a result of corporate mismanagement, fraud and accounting irregularities relating to issuers of securities or other assets they hold.

Recent Market Conditions. The financial crisis in the U.S. and global economies over the past several years, including the European sovereign debt crisis, has resulted, and may continue to result, in an unusually high degree of volatility in the financial markets and the economy at large. Both domestic and international equity and fixed income markets have been experiencing heightened volatility and turmoil, with issuers that have exposure to the real estate, mortgage and credit markets particularly affected. It is uncertain how long these conditions will continue.

These recent market conditions have resulted in fixed income instruments experiencing unusual liquidity issues, increased price volatility and, in some cases, credit downgrades and increased likelihood of default. These events have reduced the willingness and ability of some lenders to extend credit, and have made it more difficult for borrowers to obtain financing on attractive terms, if at all. As a result, the values of many types of securities have been reduced, including, but not limited to, mortgage-backed, asset-backed and corporate debt securities. During times of

market turmoil, investors tend to look to the safety of securities issued or backed by the U.S. Treasury, causing the prices of these securities to rise and the yield to decline.

The reduced liquidity in fixed income and credit markets may negatively affect many issuers worldwide. Illiquidity in these markets may mean there is less money available to purchase raw materials and goods and services, which may, in turn, bring down the prices of these economic staples. The values of some sovereign debt and of securities of issuers that hold that sovereign debt have fallen. These events and the potential for continuing market turbulence may have an adverse effect on Client Accounts. In addition, global economies and financial markets are becoming increasingly interconnected, which increases the possibilities that conditions in one country or region might adversely impact issuers in a different country or region.

Recent Regulatory Events and Government Intervention. The situation in the financial markets has resulted in calls for increased regulation, and the need of many financial institutions for government help has given lawmakers and regulators new leverage. The Dodd-Frank Act has initiated a dramatic revision of the U.S. financial regulatory framework and consumer credit markets that is now expected to unfold over several years. The Dodd-Frank Act covers a broad range of topics, including (among many others) a reorganization of federal financial regulators; a process intended to improve financial systemic stability and the resolution of potentially insolvent financial firms; new rules for derivatives trading; the creation of a consumer financial protection watchdog; the registration and additional regulation of hedge and private equity fund managers; and new federal requirements for residential mortgage loans. The Government or its agencies may acquire distressed assets from financial institutions and acquire ownership interests in such institutions. The implications of government ownership and disposition of these assets are unclear and such a program may have positive or negative effects on liquidity, valuations and performance of Client Accounts. Instruments in which Client Accounts may invest, or the issuers of such instruments, may be affected by the new legislation and regulation in ways that are unforeseeable. Most of the implementing regulations have not yet been finalized. Accordingly, the ultimate impact of the Dodd-Frank Act, including on the derivative instruments in which a Client Account may invest, is not yet certain.

Client Accounts are also subject to the risk of local, national and global economic disturbances based on unknown conditions in the market in which an account invests. In the event of such disturbances, issuers of securities held by a Client Account may suffer significant declines in the value of these assets and even terminate operations. Such issuers also may receive government assistance accompanied by increased control and restrictions or other government intervention. It is not clear whether the U.S. Government will intervene in response to such disturbances and effect of any such intervention is unpredictable.

Repurchase Agreements and Reverse Repurchase Agreements. In a repurchase agreement, the Client Account purchases securities from a bank that is a member of the Federal Reserve System or from a securities dealer that agrees to repurchase the securities from the Client Account at a higher price on a designated future date. Repurchase agreements generally are for a short period of time, usually less than a week. Costs, delays or losses could result if the selling party to a repurchase agreement becomes bankrupt or otherwise defaults.

A reverse repurchase agreement involves the sale of a security, with an agreement to repurchase the same or substantially similar securities at an agreed upon price and date. Whether such a transaction produces a gain for the Client Account depends upon the costs of the agreements and income and gains of the securities purchased with the proceeds received from the sale of the security. If the income and gain on the securities purchased fail to exceed the costs, the Client Account's value will decline faster than otherwise would be the case. Reverse repurchase agreements, as leveraging techniques, may increase a Client Account's yield; however, such transactions also increase the Client Account's risk to capital and may result in a client or investor's loss of principal.

Risks Associated with Lender Liability; Equitable Subordination. In recent years, a number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively referred to as "lender liability." Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Client Accounts that invest in loans, particularly distressed debt, may become subject to allegations of lender liability and may be subject to significant liability if a claim of this type arises.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender: (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower; (ii) engages in other inequitable conduct to the detriment of such other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lender to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." If a Client Account that invests in loans became subject to equitable subordination, it could result in substantial losses for the account.

Sector Risk. Strategies that focus on a particular sector or limited sectors bear much greater risk of adverse developments and price movements in these markets than an account that invests in a wider range of market sectors. Individual sectors may move up and down more than the broader market. The instruments or industries that constitute a sector may all react in the same way to economic, political or regulatory events.

Stripped Mortgage-Backed Securities Risk. Stripped mortgage-backed securities ("SBMS") are derivative multi-class mortgage securities issued by agencies and instrumentalities of the U.S. Government or by private originators of, or investors in, mortgage loans. They are typically structured with two classes that receive different proportions of the interest and principal distributions on a pool of mortgage assets. As such, these classes can be very sensitive to changes in interest rates and the rate of prepayments.

Stripped Securities Risk. Stripped securities are the separate income or principal components of debt securities. These securities are particularly sensitive to changes in interest rates,

resulting in greater fluctuations in price than other debt securities and traditional government securities with identical credit ratings.

Systemic Risk. Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a “systemic risk” and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which NBS interacts on a daily basis.

Tax Risk. Tax laws and regulations applicable to a Client Account are subject to change, and unanticipated tax liabilities could be incurred by investors as a result of such changes. Investors should consult their own tax advisors to determine the potential tax-related consequences of investing in a Separate Account or Fund.

Terrorism Risk. The September 11, 2001 terrorist attacks, the war with Iraq and its aftermath, continuing occupation of Afghanistan by coalition forces and related events have led to increased short-term market volatility and may have long-term effects on United States and world economies and markets. A similar disruption of the financial markets or other terrorist attacks could adversely impact interest rates, auctions, secondary trading, ratings, credit risk, inflation and other factors relating to a Client Account’s securities and adversely affect such account’s service providers and operations.

Trade Claims. Certain Client Accounts that invest in distressed debt may acquire trade claims — i.e., amounts due from a company to its suppliers. Trade claims are not “securities” for regulatory purposes, and a Client Account, in investing in trade claims, will not have the protection of the securities laws. Trade claims are typically highly illiquid and may have a relatively junior position as compared to securities and other debt owed by the issuer. There may be defenses to trade claims — for example, the services or products furnished not meeting specifications — of which NBS may not be aware at the time of a Client Account’s acquisition of such claims.

Uncertainties of Foreclosure Process. With respect to Client Accounts that invest in distressed debt, NBS generally concentrates on acquiring debt that is secured by assets that NBS believes to have a value adequate to ensure payment of such debt. However, if it becomes necessary to foreclose on the assets underlying a loan acquired by a Client Account, significant uncertainty may arise as to the outcome of the proceeding. Bankruptcy judges have broad discretion as to how they deal with the claims of different creditors, and the claims of secured creditors may not — despite their legal entitlement — always be respected as a matter of policy. These Client Accounts may make investments in restructurings and workouts that involve companies that are experiencing, or are expected to experience, severe financial difficulties, which may never be overcome and may lead to uncertain outcomes. The Bankruptcy Courts have broad discretion to control the terms of a reorganization, and political factors may be of significant importance in the more high profile bankruptcies.

The foreclosure process with respect to the residential mortgage loan modification strategy may result in procedural delays and uncertainties in many jurisdictions. Federal, state and local laws

and ordinances have considered or are considering, legislation or regulations that would hinder or delay foreclosure proceedings against defaulted mortgage borrowers, or limit a residential mortgage loan servicer's ability to take actions that are necessary or appropriate to preserve mortgage loan value. Judicial decisions also have imposed significant requirements and burdens on lenders that could result in delays and further expense. The inability to foreclose on defaulted borrowers when or as anticipated, or an increase of expenses for foreclosure proceedings, could result in increased costs, reduced collections and lower returns. In addition, any limitations on foreclosure are likely to cause delayed or reduced collections from mortgagors and generally increased servicing costs.

U.S. Government/Agency Risk. U.S. Government/Agency Risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. Not all U.S. government securities are backed or guaranteed by the U.S. government. Some U.S. government securities are supported only by the credit of the issuing agency, which depends entirely on its own resources to repay the debt, and are subject to the risk of default. For example, U.S. government securities issued by the Federal National Mortgage Association ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac") and Federal Home Loan Banks may be chartered or sponsored by Acts of Congress, their securities are neither issued nor guaranteed by the United States Treasury. Therefore, these securities are not backed by the full faith and credit of the United States. The maximum potential liability of the issuers of some U.S. government securities may greatly exceed their current resources, including their legal right to support from the U.S. Treasury. It is possible that these issuers will not have the funds to meet their payment obligations in the future.

In September 2008, the U.S. Treasury Department and the Federal Housing Finance Administration ("FHFA") announced that Fannie Mae and Freddie Mac would be placed into a conservatorship under FHFA. The effect that this conservatorship will have on the entities' debt and equities and on securities guaranteed by the entities is unclear. Since 2009, Fannie Mae and Freddie Mac have received significant capital support through U.S. Treasury preferred stock purchases and Federal Reserve purchases of their mortgage backed securities. While the Federal Reserve's purchases have terminated, the U.S. Treasury announced in December 2009 that it would continue its support for the entities' capital as necessary to prevent a negative net worth through at least 2012. While the U.S. Treasury is committed to offset negative equity at Fannie Mae and Freddie Mac through its preferred stock purchases through 2012, no assurance can be given that the Federal Reserve, U.S. Treasury, or FHFA initiatives discussed above will ensure that Fannie Mae and Freddie Mac will remain successful in meeting their obligations with respect to the debt and mortgage-backed securities they issue beyond that date. In addition, Fannie Mae and Freddie Mac also are the subject of several continuing class action lawsuits and investigations by federal regulators over certain accounting, disclosure or corporate governance matters, which (along with any resulting financial restatements) may adversely affect the guaranteeing entities. Importantly, the future of the entities is in serious question as the U.S. government reportedly is considering multiple options, ranging from nationalization, privatization, consolidation, or abolishment of the entities.

This risk factor applies similarly in respect of European or other agencies and governments.

When-Issued and Delayed Delivery Transactions Risk. When-issued and delayed delivery transactions occur when securities are purchased or sold by the strategy with payment and delivery taking place in the future to secure an advantageous yield or price. These transactions may expose the strategy to counterparty risk of default as well as the risk that securities may experience fluctuations in value prior to their actual delivery. Purchasing securities on a when-issued or delayed-delivery basis can involve the additional risk that the price or yield available in the market when the delivery takes place may not be as favorable as that obtained in the transaction itself.

Whole Loans Risk. Certain Funds may acquire whole loans — as opposed to commercial mortgage-backed securities whose payment flows are dependent on payments of the underlying loans. When the Fund holds a whole loan, NBS will be responsible for dealing directly with the issuer — which can both consume valuable investment adviser resources which could be more profitably employed in other investments as well as subjecting the Fund to all the uncertainties, expenses and adversary proceedings which surround foreclosures in general.

Clients should look to their investment advisory agreements with NBS and other client materials provided. Fund investors should look to the Offering Document for a more complete description of the risks involved with the strategies offered by NBS. Clients should not rely solely on the descriptions provided above.

Acquiring interests in the Funds is intended for sophisticated investors who can accept a high degree of risk in their portfolio, do not need regular current income from their investment with NBS and can accept a potential loss of their entire investment.

Item 9: Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a Client's or potential Client's evaluation of the Firm or the integrity of the Firm's management in this item. NBS has no items to disclose.

Item 10: Other Financial Industry Activities and Affiliations

A. Registration as a Broker-Dealer or Registered Representative

NBS is not a registered broker or dealer.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor or Associated Person

NBS is exempt from registration as a futures commission merchant, commodity pool operator (CPO) or commodity trading advisor (CTA). With respect to the current operation of its Client Accounts, NBS is exempt from registration as a CTA pursuant to the exemption under Section 4m(l) of the Commodity Exchange Act.

C. Material Relationships

NBS currently has certain relationships or arrangements that are material to its advisory business or its Clients. Below is a discussion of such relationships/arrangements and any conflicts that arise from them.

1. Broker-dealer, municipal securities dealer, or government securities dealer or broker

NBS is affiliated with Neuberger Berman LLC (“**NB LLC**”), a registered broker-dealer.

In providing services to its Clients, NBS draws upon the operational and administrative resources of NB LLC and other affiliates. NBS may use security analysis and research reports prepared by its affiliates’ dedicated research staff, such as Neuberger Berman Europe Limited (“**NBEL**”) and Neuberger Berman Fixed Income LLC (“**NBFI**”).

Registered representatives of NB LLC may solicit Clients for NBS or investors for the Funds for NBS. See Item 14.

NBS may utilize placement agents in offering the Funds to investors. These placement agents may include NB LLC or unaffiliated registered broker-dealers. See Item 5.

The Firm has established policies and procedures (“**Procedures**”) reasonably designed to prevent the misuse by the Firm and its personnel of material information regarding issuers of securities that has not been publicly disseminated (“**material non-public information**”). See Item 11.D.1.

2. Investment Company or other pooled investment vehicle

NBS is sub-investment manager of the Funds.

Neither NBS nor its related persons are obligated to allocate any specific amount of time or investment opportunities to a particular Fund. NBS and its related persons intend to devote as much time as they deem necessary for the management of each Fund, and will allocate investment opportunities in accordance with NBS's Trading Policy described in Item 12.B. below.

3. Other investment adviser or financial planner

NBS has relationships that are material to its advisory business with the following Advisory Affiliates:

SEC-Registered Advisers

Neuberger Berman LLC ("NB LLC")

Neuberger Berman Asia Ltd. ("NBAL")

Neuberger Berman Europe Limited ("NBEL")

Neuberger Berman Fixed Income LLC ("NBFI")

Non-SEC-Registered Advisers

Neuberger Berman Australia Pty Limited

Neuberger Berman East Asia Limited

Neuberger Berman Taiwan Limited

In providing services to its Client Accounts, NBS may draw upon the portfolio management, trading, research, operational and administrative resources of the Advisory Affiliates.

Neither NBS nor its related persons are obligated to allocate any specific amount of time or investment opportunities to a particular Client Account. NBS and its related persons intend to devote as much time as they deem necessary for the conduct of each Client Account's management and will allocate investment opportunities in accordance with NBS's Trading Policy.

Depending on the strategy, investment professionals from Advisory Affiliates may have decision-making roles for certain Clients of NBS.

NBS may engage any of these Advisory Affiliates as a sub-adviser to manage its Client Accounts (see Item 10.D).

The views and opinions of NBS, and those of these Advisory Affiliates and their research departments, may differ from one another. See Item 11.B.7.

The Firm has established Procedures reasonably designed to prevent the misuse by the Firm and its personnel of material non-public information. See Item 11.D.1.

Certain employees of NB LLC, NBAL, NBEL and NBFI may provide marketing and/or other Client-related services in connection with NBS's investment strategies.

4. Futures commission merchant, commodity pool operator, or commodity trading adviser

NB LLC is registered as a Commodity Trading Adviser, Commodity Pool Operator and Futures Commission Merchant. NBFI is registered as a Commodity Trading Adviser.

5. Banking or thrift institution

None.

6. Accountant or accounting firm

None.

7. Lawyer or law firm

None.

8. Insurance company or agency

None.

9. Pension consultant

None.

10. Real estate broker or dealer

None.

11. Sponsor or syndicator of limited partnerships

Affiliates of NBS may serve as the general partner or investment manager to one or more of the Funds. Further information about the partnerships where affiliates of NBS serve as the general partners or investment manager is available in Section 7.B.(1) and (2) of Schedule D of Part 1 of NBS's affiliated SEC-registered investment advisers' Form ADVs.

D. Selection of Other Investment Advisers

NBS may engage other advisers, including its Advisory Affiliates, to act as sub-advisers or managers for its Client Accounts. As discussed further below, NBS does not employ the same selection criteria with respect to its Advisory Affiliates, given that it already knows a great deal about each of their advisory businesses, by virtue of their affiliation. Where NBS has delegated the discretionary day-to-day management of certain strategies to Advisory Affiliates, the due diligence conducted may not include all components of the standard due diligence program. NBS selects Advisory Affiliates based on the investment strategy of the Client Account, and the expertise of the particular Advisory Affiliate.

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

A. Code of Ethics

NBS has adopted policies (the “**Policies**”), which governs the activities of all NBS employees. Employees are required not only to comply with the Policies but with all applicable laws and regulations.

The Policies include (1) Personal Investment Policy and Procedures, (2) Gifts and Entertainment, (3) Outside Business Activity, and (4) Prohibition Regarding the Use of Material Non-Public Information and (5) Whistleblowing, which support NBS’s fiduciary duty to place the interests of the Firm’s clients before the interests of the Firm and its employees. Each employee must avoid any activity or relationship that may reflect unfavorably on the Firm as a result of a possible conflict of interest, the appearance of such a conflict, the improper use of confidential information or the appearance of any impropriety.

In managing assets for Clients, NBS has a fiduciary responsibility to treat all Clients fairly. This duty requires a course of conduct, consistent with other statutory obligations, that seeks to be prudent and in the Client’s best interest. The nature of NBS’s fiduciary obligations necessarily requires some restrictions on the investment activities of its employees and their domestic dependents.

Amendments to the Policies

If amendments are made to the Policies other than on an annual basis and determined to be material, employees will be required to submit a written acknowledgement that they have received, read and understood the amendments.

Administration of the Policies

Compliance will receive and review all reports submitted pursuant to the Policies and determine whether the investment or business activities of employees are consistent with requirements and restrictions set forth in the Policies and do not otherwise indicate any improper activities. Compliance will also ensure that all books and records relating to the Policies are properly maintained. NBS will maintain the following records in a readily accessible place:

- A copy of each Code that has been in effect at any time during the past five years;
- A record of all written acknowledgements of receipt, review and understanding of the Policies and amendments for each person who is currently, or within the past five years was, an employee;
- A record of each report made by an employee, including any brokerage confirmations and brokerage account statements obtained from employees;

- A list of the names of persons who are currently, or within the past five years were, employees; and
- A record of any decision for approving the acquisition of securities by employees in private placements and hedge funds for at least five years after the end of the fiscal year in which approval was granted.

Reporting Violations

Employees must immediately report any violation of the Policies to Compliance. All reports will be treated confidentially and investigated promptly and appropriately. Compliance will keep records of any violation of the Policies, and of any action taken as a result of the violation. Violations of the Policies may lead to disgorgement of profits, suspension of trading privileges for the particular employee, or disciplinary action up to and including termination.

B. Participation or Interest in Client Transactions

NBS may participate or have an interest in Client transactions as described below. NBS makes all investment management decisions in its Clients' best interests.

1. Principal and Agency Transactions

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to a Client Account. A principal transaction would occur if NBS or its affiliated broker-dealer, NB LLC, bought securities for its own inventory from a NBS Client Account or sold securities from its inventory to a NBS Client Account. NB LLC, however, does not have its own inventory of securities and therefore will not engage directly in principal transactions with NBS Clients.

Where NBS, its affiliates or principals own a substantial equity interest in a Client Account, transactions involving such Client Account may be characterized as principal. A principal transaction presents conflicts of interest which may include the adviser or affiliate earning a fee or earning (or losing) money as a result of the transaction.

NBS does not engage in principal transactions with Client Accounts.

2. Cross Transactions

NBS does not intend to engage in buying or selling of securities from one Client Account to another (typically referred to as a "cross trade" or "cross transaction").

3. Affiliated Brokers

NBS is affiliated with NB LLC, but does not effect any transactions in securities or other instruments for Client Accounts through NB LLC. See Item 12.

4. Financial Interests in Securities or Investment Products

Furthermore, NBS may invest Client Accounts in securities or other assets of companies with which NBS or its affiliates have a business relationship, whether Client, broker, vendor or investment consultant.

5. Employee Investment in NBS Products

NBS advisory personnel may be investors in the Funds. Any such investments are made in conformity with the Policies, which include procedures regarding the use of confidential information and personal investing.

6. Buying and Selling Securities That Are Recommended to Clients

NBS may recommend to Clients investments in which NBS, its affiliates or advisory personnel of either are also invested. Personnel of NBS may also be invested directly in the Funds, subject to applicable law, and the performance fee distributions and management fee payable by such Funds may be separately negotiated by NBS.

NBS may recommend to Clients securities or financial instruments, in which a related person has established an interest independent of NBS.

7. Other Interests in Client Transactions

NBS advisory personnel may also be officers, employees and/or registered representatives of NB LLC or any of the Advisory Affiliates. In such capacity, they may sell or provide similar services as the services offered by NBS. The views and opinions of NBS, NB LLC or any of the Advisory Affiliates and their research staff, may differ from one another. As a result, Client Accounts may hold securities or other investment products for which each of these entities may have a different investment opinion or outlook at the time of their acquisition or subsequent thereto.

C. Personal Trading

The Policies contain NBS's Personal Investment Policy & Procedures ("PIP"). Key aspects of the PIP include:

Disclosure of Personal Investment Accounts and Pre-Approval of Transactions

Employees or other parties named in an employee-related account are required to disclose the existence of any outside brokerage account to Compliance upon commencing employment at NBS. Subsequently, employees or other parties named in an employee-related account must obtain prior approval from Compliance before opening an outside brokerage account. Employees or other parties named in an employee-related account must obtain prior approval from Compliance before placing an order for a covered transaction. Transaction approvals are valid for 24 hours.

Holding Periods

Employee and employee-related accounts must hold investments for a minimum of thirty (30) calendar days after purchase.

Specific Investment Restrictions

- Short sales are permitted in certain circumstances, but are strongly discouraged.
- Employees and employee related accounts are prohibited from receiving allocations of initial public offerings.
- Any employee who wishes to invest in a hedge fund, limited partnership, closely held corporation or other outside private investment must obtain pre-approval from Compliance.

Reporting and Certification Requirements

Initial

On commencing employment at NBS, employees are required to disclose their outside broker accounts.

Approval to open new outside brokerage accounts

When an existing employee wishes to open a new outside brokerage account, it is compulsory for the employee to obtain pre-approval from Compliance. Employee will be requested to provide copies of monthly statements and confirmations to Compliance.

Annual

Employees are required to declare annually on or before January 30 of each year that: they have read, understand, and complied with the Policies; they have reported all employee and employee-related accounts to Compliance; the transactions executed in these accounts have been approved as necessary; and, they have obtained the required approval and submitted the required reporting for any Outside Business Activities.

D. Other Conflicts of Interests

1. Non Public Material Inside Information/Insider Trading

The Firm has established policies and procedures (“**Procedures**”) reasonably designed to prevent the misuse by the Firm and its personnel of material information regarding issuers of securities that has not been publicly disseminated (“**material non-public information**”). The Procedures are designed to be in accordance with the requirements of the Advisers Act and other federal securities laws. In general, under the Procedures and applicable law, when the Firm is in possession of material non-public information related to a publicly-traded security or the issuer of such security, whether acquired unintentionally or otherwise, neither the Firm nor

its personnel are permitted to render investment advice as to, or otherwise trade or recommend a trade in, the securities of such issuer until such time as the information that the Firm has is no longer deemed to be material non-public information.

In the ordinary course of operations, however, certain businesses within the Firm may seek access to material non-public information. The Procedures address the process by which material non-public information may be acquired intentionally by the Firm. When considering whether to acquire material non-public information, the Firm will attempt to balance the interests of all Clients, taking into consideration relevant factors, including, but not limited to, the extent of the prohibition on trading that may occur, the size of the Firm's existing position in the issuer, if any, and the value of the information as it relates to the investment decision-making process. The intentional acquisition of material non-public information may give rise to a potential conflict of interest since NBS may be limiting the universe of public securities that NBS may purchase or sell. Similarly, where the Firm declines access to (or otherwise does not receive) material non-public information regarding an issuer, NBS may base its investment decisions with respect to assets of such issuer solely on public information, thereby limiting the amount of information available to NBS in connection with such investment decisions. In determining whether or not to elect to receive material non-public information, the Firm will endeavor to act fairly to its clients as a whole. If material non-public information is inadvertently obtained, employees are required to disclose it to Compliance whereupon the issuer to which the material non-public information relates will be included in a "Restricted List" distributed by Compliance. Any activities relating to such securities are required to be cleared by Compliance.

2. Gifts and Entertainment

Gifts and entertainment provided or received by NBS's employees to/from Clients, prospective clients, vendors, suppliers, consultants and others with whom NBS conducts business can strengthen business relationships yet may also create actual or apparent conflicts of interest. Therefore, in accordance with its Gifts and Entertainment policy, all NBS employees are required to follow the following guiding principles:

- No gifts or entertainment may be solicited
- No cash or cash equivalents should be offered or accepted
- All gifts and entertainment received or offered should be for a clear business purpose
- All gifts and entertainment should not be excessive, inappropriate or intended to influence recipients inappropriately

In addition to the above, NBS imposes certain specific restrictions on providing and receiving gifts and entertainment, including the imposition of monetary limits and requiring employees to report to, and, in certain circumstances, to obtain prior approval from Compliance.

Compliance is responsible for monitoring practices on giving gifts, including travel, entertainment and contributions, and carries out ongoing monitoring of NBS's practices

3. Political Contributions

Due to the potential for conflicts of interest, the Firm has established policies and procedures relating to political contributions which are designed to comply with applicable federal, state and local law. All employees are required to seek preapproval before making any political contribution.

4. Outside Business Activities

Given the nature of NBS's business, employees who engage in outside activities may face numerous and significant conflicts of interest. Each new employee is required to complete an Outside Affiliation Form to disclose any outside activities, including service as an employee, consultant, board member, partner, officer, director, owner or trustee of an organization that is not an affiliate of NBS. Prior to pursuing any outside business activity, an employee must:

- complete the Outside Affiliation form;
- receive written approval from his/her manager; and
- receive written approval the Compliance.

General Guidelines

When engaged in an approved outside business activity, an employee must always:

- act in the best interest of NBS in the event a potential conflict of interest arises;
- remain aware of how personal activities can lead to conflicts, such as taking a second job with, or making an investment in, a customer, vendor or competitor;
- discuss with his/her manager any situation that could be perceived as a potential conflict of interest; and
- pro-actively address situations that may put his/her interests or those of a family member or friend in potential conflict with NBS's.

Service on Outside Boards

Compliance determines procedures to prevent the misuse of material non-public information which may be acquired through outside board service, as well as other procedures or investment restrictions which may be required to prevent actual or potential conflicts of interest.

In addition to complying with the policies and procedures set forth in the Policies, employees must be vigilant in identifying and managing the potential conflicts of interest that may arise by virtue of their service on outside boards. Depending on the circumstances, these conflicts may require the employee to recuse him or herself from deliberations of the board. In some cases, it may be necessary to resign from the Board entirely. Employees are encouraged to seek guidance from Compliance as to how these potential conflicts may be best addressed.

5. Outsourcing/Service Providers

The Firm must conduct appropriate due diligence on any outside vendor that provides products or services to the Firm and enter into an appropriate contract. The Firm's relationships with outside vendors must be managed so that appropriate controls and oversight are in place to protect the Firm's interests, including safeguarding of private and confidential information regarding the Firm's clients and employees.

Item 12: Brokerage Practices

A. Criteria for Selection of Broker-Dealers

Except where NBS has delegated investment discretion to a Sub-Adviser, NBS has discretion to select the broker-dealer for securities transactions for each Client Account. NBS looks to the overall quality of service provided by the broker-dealer and will consider many factors when making a selection for execution. The broker-dealer's ability to provide best execution is of paramount importance in NBS's selection of the broker-dealer. Best execution is not determined solely based on obtaining the lowest commission costs, but is an evaluation of a number of quantitative and qualitative factors.

The factors that NBS will take into account when executing orders on behalf of a Client Account will include price, costs, speed, likelihood of execution and settlement, size, nature and any other consideration relevant to the execution of the order in question (including market impact). The best possible result for a particular transaction will be determined by the relative importance given by NBS to those factors, which will in turn determine the choice of broker. NBS will also take into account the following criteria:

- Client's characteristics, including Client's categorisation as a professional client;
- the characteristics of the relevant order;
- the characteristics of the instruments or products that are the subject of the relevant order; and
- the characteristics of the broker and the place of execution.

Research and Other Soft Dollar Benefits

NBS does not operate a soft dollar program. Its Advisory Affiliates may acquire soft dollar benefits when sub-advising NBS's Client Accounts. Please refer to Part 2A of the SEC registered Advisory Affiliates' Form ADVs for details.

Brokerage for Client Referrals

NBS does not enter into agreements with, or make commitments to, any broker-dealer that would bind NBS to compensate that broker-dealer, directly or indirectly, for Client referrals (or sale of fund interests) through the placement of brokerage transactions.

Directed Brokerage

NBS does not have any directed brokerage clients.

Other Fees in Connection with Trading

In an effort to achieve best execution of portfolio transactions, NBS may place securities or future transactions for Client Accounts by utilizing electronic marketplace or trading platforms. Some of these electronic systems may impose additional service fees or commissions. NBS may pay these fees directly to the provider of the service or these fees may be included in the execution price of a security. NBS's intention is that it will only use such systems and incur such fees if it believes that doing so helps it to achieve the best execution of the applicable transaction, taking into account all relevant factors under the circumstances. For example, NBS will consider the speed of the transaction, the price of the security, its ability to block the transaction and other factors discussed in this Brokerage Practices section.

Trade Errors

On occasion, an error may be made in a Client Account. For example, a security may be erroneously purchased for a Client Account instead of sold. In these situations, NBS generally seeks to rectify the error by placing the Client Account in a similar position as it would have been had no error occurred. Depending on the circumstances, various corrective steps may be taken, including but not limited to, canceling the trade, adjusting an allocation, and/or reimbursing the account. While NBS will generally compensate Client Accounts for actual losses suffered as a result of a trade error caused through the fault of NBS, NBS does not compensate its Clients for lost investment opportunities (e.g., the failure to take advantage of investment or market improvements).

B. Aggregation of Orders/Allocation of Trades

Aggregation

Transactions for each Client Account generally will be effected on a block trade basis, where NBS decides to purchase or sell the same security or financial instrument for several Client Accounts at approximately the same time. NBS may (but is not obligated to) combine or block trade such orders in order to secure certain efficiencies and results with respect to execution, clearance and settlement of orders.

This aggregation of orders across Client Accounts could lead to a conflict of interest in the event an order cannot be entirely fulfilled and NBS is required to determine which accounts should receive executed shares and in what order. To mitigate such conflicts, NBS has adopted allocation procedures, reasonably designed to treat all participating accounts fairly (see below).

NBS is not obligated to include every Client Account in an aggregated trade. A variety of factors is used to determine whether a particular Client Account may or may not participate in a particular aggregated transaction. These include investment objectives and strategies, position weightings, cash availability, and risk tolerance.

NBS will aggregate and allocate orders only in a manner designed to ensure that no Client Account is favored or disfavored and that participating Client Accounts are treated in a fair and

equitable manner over time. NBS may not intentionally allocate profitable trades at each day's end so as to favor disproportionately certain clients without appropriate disclosure.

When a block trade order is filled in its entirety, each participating Client Account will participate at the average price paid or received, per share or unit, on that day for the order, and share in any associated transaction costs, based upon the initial amount requested for the account (subject to certain size- or cost-related exceptions). When price averaging is used, some Client Accounts will get a better price and some Client Accounts will get a worse price than they would have received if price averaging was not used.

When a block trade order is partially filled, the order will be allocated in accordance with NBS's written aggregation and allocation procedures. These procedures are described generally below.

NBS will receive no additional compensation or remuneration of any kind as a result of the aggregation of Client trades.

Allocation of Investment Opportunities

NBS provides investment management services to a number of Client Accounts and may deal with conflicts of interest when allocating investment opportunities among such Client Accounts. For example: (i) NBS receives different investment management fees in respect of different Client Accounts; (ii) the performance records of some Client Accounts are more public than the performance records of other Clients; and (iii) NBS and its affiliates, owners, officers and employees have invested substantial amounts of their own capital in some Client Accounts, but do not invest their own capital in every Client Account. The majority of NBS's Clients pursue specific investment strategies, many of which are similar. NBS expects that, over long periods of time, most Client Accounts employing similar investment strategies should experience similar, but not identical, investment performance. Many factors affect investment performance, including but not limited to: (i) the timing of cash deposits and withdrawals to and from an account; (ii) the fact that NBS may not purchase or sell a given security on behalf of all Client Accounts employing similar strategies; (iii) price and timing differences when buying or selling securities; (iv) the size of the Client Account and (v) each Client Account's own different investment restrictions. The trading policy for NBS is designed to minimize possible conflicts of interest in trading for Client Accounts.

NBS considers many factors when allocating securities and financial instruments among Client Accounts, including but not limited to the Client's investment objectives, applicable restrictions, the type of investment or financial instrument, the number of shares or contracts purchased or sold, the size of the account, the amount of available cash or the size of an existing position or weighting in an account. Client Accounts are not assured of participating equally or at all in particular investment allocations. The nature of a Client Account's investment style may exclude it from participating in many investment opportunities, even if the Client is not strictly precluded from participation based on written investment restrictions.

NBS attempts to allocate limited investment opportunities among Client Accounts in a manner that is fair and equitable when viewed over a considerable period of time and involving many

allocations. The factors taken into account in the allocation process include whether the account's investment objectives fall primarily within the market capitalization of the issuer of securities to be allocated, cash available and legal restrictions on the account. Once those requirements are met, shares are generally allocated on a *pro rata* basis based on total AUM of each participating manager and thereafter based on the AUM of each Client Account.

Compliance is responsible for monitoring and interpreting these policies. Any exceptions to these policies require the prior written approval of Compliance, in conjunction with the senior portfolio manager.

Item 13: Review of Accounts

A. Periodic Reviews

NBS's portfolio managers, research analysts and traders hold weekly meetings where they review market conditions in a broader context. Portfolio managers review market and Client positioning on a daily ongoing basis.

Compliance reviews transactions for compliance with investment guidelines, possible conflicts and adherence to the Policies and regulatory obligations, on a regular basis. Reviews may be in the form of trade data and exception reports. Topics covered in the review include, but are not limited to, trading on the basis of material, non-public information and trading in affiliated securities.

B. Non-Periodic Reviews

Other than the periodic review of accounts described above, a review of individual Client Accounts will also be triggered by anomalies in the investment strategy (e.g., performance numbers do not look right for the portfolio). Account reviews may also take place as a result of major changes in macro- or micro-economic conditions, and material market, economic or political events. Further, changes in regulation may cause NBS to review Client Accounts.

C. Client Reports

Clients receive such reports as are provided for in the Fund's Offering Document (or, on rare occasion, as otherwise negotiated with NBS), or relevant investment management agreement.

Depending on the account, Clients or investors may also receive some of the following regular written reports:

- Monthly commentary from NBS;
- Monthly/ Quarterly statement from the fund administrator;
- Monthly Fact Sheet; and
- Annual letter from NBS.

Clients should carefully review any statements or other reports that they receive from a custodian and compare them to the client reports provided by NBS.

Item 14: Client Referrals and Other Compensation

A. Compensation by Non-Clients

Not applicable.

B. Compensation for Client Referrals

Certain Firm employees are eligible to earn an account referral bonus for referring a potential client to NBS. Firm senior management determines whether an employee's involvement was significant enough to warrant this bonus.

From time to time, in accordance with applicable law, NBS may retain and compensate third parties for introducing new Clients to NBS. The compensation to such parties generally represents a percentage of the management fee paid by the Client to NBS.

Clients do not pay a higher fee than they would otherwise pay due to the solicitor's or placement agent's involvement in the introduction.

From time to time, NBS may refer a Client to unaffiliated financial institutions or other professional service providers for purposes of rendering certain services to the Client. These services are generally not directly provided by NBS. The referral may result in the Client allocating additional assets to NBS for management.

Item 15: Custody

NBS or its affiliates will not maintain physical possession of the funds or securities of any Fund. However, for those Funds where an affiliate serves as managing member or general partner, the affiliate will have “legal custody” to access the Fund’s account, and as a result, will be deemed to have custody over that account for purposes of the Custody Rule under the Advisers Act. To comply with Custody Rule, with respect to such Fund, NBS or the third-party administrator to the Fund will provide each investor, annually, with audited financial statements, prepared in accordance with GAAP or IFRS, within 120 days following the end of the Fund’s fiscal year.

Item 16: Investment Discretion

Except to the extent that NBS has delegated investment discretion to a sub-adviser, NBS has the authority to determine, without obtaining specific Client consent, the securities or financial instruments to be bought or sold and the amount of securities or financial instruments to be bought or sold for a Client Account. NBS's discretionary authority is derived from an express grant of authority under each Client Account's investment management agreement with NBS.

Purchases and sales must be suitable for the particular Client Account and limitations may be imposed as a result of instructions from the Client. Clients may limit NBS's authority by prohibiting or by limiting the purchasing of certain securities or financial instruments. See Item 4.

Pursuant to the Firm's Procedures on material non-public information, when the Firm is in possession of material non-public information related to a publicly-traded security or the issuer of such security, whether acquired unintentionally or otherwise, neither the Firm nor its personnel are permitted to render investment advice as to, or otherwise trade or recommend a trade in, the securities of such issuer until such time as the information that the Firm has is no longer deemed to be material non-public information. As such, there may be circumstances which will prevent the purchase or sale of securities for Client Accounts for a period of time.

Item 17: Voting Client Securities

Investments in which NBS invests on behalf of its Clients are typically debt instruments that do not have voting rights, and as such, NBS currently has not adopted a policy with respect to voting client securities.

Item 18: Financial Information

A. Prepayment of Fees (Six or more months in advance)

Not applicable.

B. Impairment of Contractual Commitments

NBS has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients.

C. Bankruptcy Petitions

NBS has not been the subject of a bankruptcy proceeding.