

# ING Investment Management LLC

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MARCH 31, 2014**

This Form ADV Part 2A ("brochure") provides information about the qualifications and business practices of ING Investment Management LLC ("IIM LLC"). If you have any questions about the contents of this brochure, please contact IIM LLC's Legal department at (212) 309-8200. 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. IIM LLC is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training.

Additional information about IIM LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Clients can search this site by a unique identifying number, known as a CRD number.

IIM LLC's CRD number is 108934.

**INVESTMENT MANAGEMENT**



Becoming **Voya™ Investment Management** in May 2014

## ITEM 2

# Material Changes

Pursuant to SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business' fiscal year, which is December 31.

The following is only a description of the material changes to this brochure since its last update, dated March 31, 2013.

Pursuant to an agreement with the European Commission, ING Groep, N.V. ("ING Groep") is required to divest more than 50% of its interest in ING U.S., Inc. ("ING U.S.") by year-end 2014, and the remaining interest by year-end 2016. As described in more detail in Item 4, IIM LLC is an indirect subsidiary of ING U.S. Upon closing on March 25th, ING Groep's ownership in ING U.S. was reduced to approximately 43%.

On May 1, ING U.S. Investment Management will begin doing business as Voya Investment Management and IIM LLC will rebrand as Voya Investment Management LLC.

IIM LLC's privacy policy as described in Item 11 has been updated in order to conform to recent changes in applicable law.

### ITEM 3

## Table of Contents

Item 2	Material Changes .....	2
Item 3	Table of Contents .....	3
Item 4	Advisory Business.....	4
Item 5	Fees and Compensation.....	5
Item 6	Performance-Based Fees and Side-By-Side Management .....	6
Item 7	Types of Clients.....	6
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss .....	7
Item 9	Disciplinary Information .....	8
Item 10	Other Financial Industry Activities and Affiliations .....	8
Item 11	Code of Ethics .....	9
Item 12	Brokerage Practices .....	11
Item 13	Review of Accounts .....	14
Item 14	Client Referrals and Other Compensation .....	15
Item 15	Custody .....	15
Item 16	Investment Discretion .....	15
Item 17	Voting Client Securities.....	15
Item 18	Financial Information .....	16

#### ITEM 4

### Advisory Business

IIM LLC (a registered investment adviser) is a wholly-owned subsidiary of Lion Connecticut Holdings Inc., which in turn is a wholly-owned subsidiary of ING U.S. As of March 25, 2014 ING Groep reduced its ownership stake in ING U.S. to approximately 43%. ING Groep is publicly owned, headquartered in Amsterdam, The Netherlands.

IIM LLC began business as an investment adviser on December 12, 1997. IIM LLC provides investment advisory and certain related services to its clients. The investment advisory services include management of portfolios of securities and derivatives within limitations set forth in clients' investment guidelines. The advisory services may include, as appropriate, advice with respect to commercial mortgage obligations, mortgage and other asset backed securities, corporate loans, securities lending, derivatives, dollar roll transactions, repurchase and reverse repurchase agreements, syndicated bank loans, structured products, private placement opportunities, and alternative assets, among other investments.

Related services IIM LLC will provide if mutually agreed upon by IIM LLC and the client, include the following: portfolio valuation and performance analysis; mortgage loan servicing; assistance with securities accounting and tax analysis; coordination of securities lending; and assistance with regulatory inquiries and analysis of existing and proposed statutes and regulations governing certain investments. The types of financial instruments that may be used are outlined in an agreement entered into between IIM LLC and the client.

IIM LLC will tailor its advisory services and investment guidelines to the individual needs of clients. In addition, clients generally may impose their own investment restrictions. The types of financial instruments that may be used are outlined in an agreement entered into between IIM LLC and the client.

ING Groep has developed the ING Defence policy which restricts investments in certain firms involved in certain aspects of the defense or weapons industry. Likewise, ING Groep also has developed other investment policies that take Environment, Social and Governance ("ESG") factors into account; as with the ING Defence policy, these policies may be implemented for IIM LLC accounts entirely at a client's discretion. (For some clients, imposing these types of investment restrictions may not comply with applicable law.) Additional information about these policies can be obtained from IIM LLC upon request. IIM LLC is also happy to work with clients on implementing their own policies of this nature.

#### ASSETS UNDER MANAGEMENT

As of December 31, 2013, IIM LLC managed \$83,454,208,085 in discretionary assets and \$942,258,379 in non-discretionary assets.

#### OTHER ADVICE

Pursuant to written agreements, IIM LLC may provide recommendations and investment advice regarding investment strategies to affiliated and unaffiliated entities. The investment

advice may include model portfolio holdings and/or weightings and other information regarding the construction and maintenance of portfolios, which may be used by these entities in the management of their own or their clients' assets. IIM LLC may (but need not) delay communicating information regarding the composition of model portfolios or any updates thereto until after IIM LLC advisory accounts have commenced or completed trading in the same or similar securities. As a result, trades ultimately placed using the IIM LLC model portfolio may be subject to price movements, particularly with large orders or where the securities are thinly traded, that may result in model portfolio accounts receiving prices that are less favorable than the prices obtained for certain IIM LLC advisory accounts. It is also possible that these entities who make execution decisions for model portfolio accounts may act upon such recommendations before certain IIM LLC advisory accounts have commenced trading based on such recommendations, in which case, particularly with respect to large orders or orders involving thinly traded securities, such IIM LLC advisory accounts may receive prices that are less favorable than the prices obtained for certain model portfolio accounts.

#### INVESTMENT AUTHORITY

Subject to any written guidelines which the client may provide, IIM LLC normally has complete discretion and authority to manage client accounts. IIM LLC, as the client's agent and attorney-in-fact, generally holds a limited power of attorney to act without prior consultation. Accordingly, IIM LLC is generally authorized to perform various functions, at the client's expense, without further approval from a client, except as required by law, including: (a) to make all investment decisions; (b) to buy, sell, and otherwise trade in securities; (c) to issue instructions to the custodian for operational matters of the account for such items as tender offers and reorganizations; (d) to select brokers or dealers to execute securities transactions; and (e) vote proxies and make similar decisions, except that as a general matter, a fund's or account's custodian rather than IIM LLC is responsible for filing class action claims. With respect to many clients, IIM LLC may enter into swaps and other derivatives and may execute ancillary documents on their behalf. In certain instances, IIM LLC may enter into non-discretionary arrangements with its clients where IIM LLC obtains client approval prior to execution of a trade or provides the client with investment recommendations which the client, in its sole discretion, may implement.

In some situations, IIM LLC and/or its affiliates may provide administrative, trading, marketing and other support services for affiliated or unaffiliated entities, where the entities are responsible for making portfolio management decisions. As one example, IIM LLC or an affiliate may provide trading desk, research or similar support services for affiliated or unaffiliated investment advisers.

#### ITEM 5

### Fees and Compensation

Generally, investment advisory and management fees are calculated as a percentage of assets under management and are typically payable in arrears based on the quarter-end

market value, although clients may also agree upon other billing arrangements. In addition to investment advisory and management fees, funds and accounts also bear other types of expenses, such as custody and audit fees, commissions and transaction costs. Brokerage expenses and related trading costs are discussed more fully in Item 12. For insurance company general accounts, fees are generally based on: (a) applying asset management fees ranging from 6 basis points ("bps") to 76 bps depending on asset type; (b) asset production fees for the closing of private placements and commercial mortgages transactions ranging from 25 bps to 40 bps; and (c) applying non-investment advisory services fee of 2.3 bps to all asset types in addition to asset management fees. Fees charged to affiliate companies are typically subject to negotiation and are generally likely to be lower than those charged to external clients given the critical operating and business arrangements between IIM LLC and its affiliates. In general, fees are based quarterly on the statutory book value of the assets on the last day of the previous quarter and are due within 60 days after IIM LLC recognizes the fee income.

Where a client has chosen a custodian bank or broker to hold its assets, IIM LLC's advisory fees are based on the amount of assets under management by IIM LLC and are independent of fees charged by client's custodian bank for "sweeping" cash into money market mutual funds and any other fees charged by the custodian bank. Generally, any cash not otherwise invested on behalf of clients or funds will be invested in cash equivalents, such as certificates of deposit, master notes and money market funds. Since most money market funds charge a management fee, in such instances the client or fund may pay, in effect, two advisory fees; i.e., that of IIM LLC and the management fee of the money market fund itself.

#### **NEGOTIATION OF FEES AND OTHER UNIQUE ARRANGEMENTS**

Fees for all investment advisory services described above are negotiable. In some cases, certain clients may pay lower fees or have other unique arrangements. For example, investors providing large or initial investments, investors with multiple business relationships with ING entities and/or ING employees may have specially tailored arrangements with IIM LLC with respect to their investment in a fund. These arrangements are entered into only where the account will not be harmed, if applicable, and IIM LLC determines that it can continue to meet its fiduciary duties. IIM LLC may also receive fees or reimbursement from individuals or financial institutions, including affiliates, for various services or publications it provides.

#### **TERMINATION OF ADVISORY AGREEMENTS**

Investment advisory agreements between IIM LLC and the client may generally be terminated by either party, pursuant to the notice requirements specified in the investment management agreements which are generally equal to thirty days or less. In the event of termination, IIM LLC is typically entitled to the pro-rata portion of the earned fee, generally inclusive of any notice period. Refunds will not typically apply as fees are generally paid in arrears, based on the size of the account on the last day of the preceding quarter. The billing for each period in general will be adjusted for additional significant contributions or withdrawals.

#### **VALUATION AND PRICING**

Unless provided for otherwise in the investment advisory agreement, standard pricing services and/or methodologies generally are used to determine the market value of the account. In this regard, IIM LLC often uses and relies on various services from external vendors for information such as pricing, ratings, type of security (e.g., Rule 144A) and other relevant factors. While these vendors are generally reliable, from time to time the information they provide may be inaccurate or stale; this may impact the pricing or categorization of client portfolio holdings.

IIM LLC may invest in securities or instruments on behalf of its clients that have no trading market or are otherwise difficult to value, in which case IIM LLC may need to determine a price for a portfolio holding using "fair value" pricing methodologies. In these situations, IIM LLC will elicit input from a number of external or internal sources (e.g., "matrix pricing" or other pricing services, portfolio managers, finance, etc.) and determine what it believes to be a representative or "fair" price for the holding. For some investments there may be only one counterparty or broker that can provide a reliable price quotation. For these types of securities, IIM LLC may determine which counterparty or broker it believes will provide the most reliable price quotations. These determinations may involve a significant amount of judgment and in some cases may differ substantially from prices that are ultimately realized in a transaction. In addition, where different accounts or funds are governed by different pricing policies and/or have different custodians, it is possible that the same security or instrument could be assigned different valuations.

Clients may incur additional fees and expenses when IIM LLC invests clients' assets in a pooled investment vehicle. The pooled investment vehicle may be a registered investment company, such as a mutual fund or closed-end fund, or a private fund, such as a limited partnership, limited liability company, or trust. Investments in a registered investment company, which may be affiliated with IIM LLC, will generally entail advisory fees and operating expenses associated with managing the registered investment company. The fees and expenses are paid from the registered investment company's assets. Private funds may pursue a number of strategies, including but not limited to, equity and fixed income, private equity, fund-of-funds and others. For investments in a private fund, the manager of the fund (e.g., general partner, managing member, or trustee), who may be affiliated with IIM LLC, could be entitled to performance fees, based on the fund's performance returns. The performance fees are in addition to the fund's regular management fees. Both fees are paid from the fund's assets. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and closed-end funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to IIM LLC's fee, and IIM LLC shall not receive any portion of these commissions, fees, and costs.

## ITEM 6

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

### PERFORMANCE-BASED FEES

IIM LLC may be compensated under performance-based fee arrangements in compliance with Rule 205-3 under the Investment Advisers Act of 1940 ("Advisers Act") based in part on the relative performance of an account when compared to an independent benchmark. Such fees are subject to individualized negotiation with each such client. Portfolio managers of IIM LLC may manage accounts with performance-based fee arrangements alongside with accounts that do not have such an arrangement. The potential conflicts of interest in these situations could, in theory, incent a manager to favor certain funds or accounts over others with respect to allocations and/or trading activities. However, in order to monitor and address these potential conflicts, IIM LLC has implemented various processes and procedures, including allocation policies and a Conflicts Committee. These processes and procedures are designed to ensure that all funds and accounts are treated fairly, that any short sales are conducted in an appropriate manner, and that allocations of offerings or investment opportunities among funds and accounts are equitable.

### ALLOCATIONS AND RELATED MATTERS

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

IIM LLC may, but is not obligated to, combine or aggregate purchase or sale orders for the same security for various funds and clients, including clients of ING Investment Trust Co., other affiliates or clients and funds for which the IIM LLC trading desk provides trading support services, in an effort to seek more favorable execution or lower commission costs. Because some of IIM LLC's shared employees provide portfolio management services to affiliates' funds or client accounts, the affiliates' funds and accounts may be included in the same block trades with IIM LLC's funds or accounts. Nonetheless, the shared employees are required to treat all accounts in a fair and equitable manner with respect to the block trade allocation. When transactions are aggregated, it is the general policy of IIM LLC that no advisory account, including any proprietary account, will be favored over any other account.

### SIDE-BY-SIDE TRADING

Portfolio managers of IIM LLC or its affiliates may manage proprietary accounts and private funds, as well as other accounts or funds that follow essentially a "long only" strategy. Most of the assets that IIM LLC manages are proprietary in nature. In

these situations, there may be a number of potential conflicts of interest as a result of various factors, including that: (i) IIM LLC and/or its affiliates and the portfolio managers may have substantial investments in the proprietary accounts or private funds; (ii) the management fee for a private fund may be higher than for other products and funds; and (iii) IIM LLC or its affiliates will also typically receive an incentive fee from the private funds based on their performance. Further, the proprietary accounts and private funds will often have significantly greater flexibility in investment guidelines, selling securities short, incurring leverage and using derivatives. In addition, the investment mandates and investment guidelines for the various funds and accounts may differ significantly. For example, many "long only" accounts may have an investment mandate to be fully invested, whereas the investment guidelines for a proprietary account or private fund are generally far more flexible. Finally, IIM LLC does not devote its full time to the management of any account and devotes such time and attention to any account as it, in its sole discretion, deems necessary for the management of such account.

As with performance fees, the potential conflicts of interest in these situations could, in theory, incent a manager to favor certain funds or accounts over others with respect to allocations and/or trading activities. However, in order to monitor and address these potential conflicts, IIM LLC and its affiliates have implemented various processes and procedures, including a Conflicts Committee. These processes and procedures are designed to ensure that all funds and accounts are treated fairly, that any short sales are conducted in an appropriate manner, and that allocations of offerings or investment opportunities among funds and accounts are equitable.

## ITEM 7

# Types of Clients

IIM LLC primarily provides portfolio management services to affiliated insurance companies utilizing a variety of investment styles. IIM LLC also advises other insurance related entities (e.g., reinsurance companies). IIM LLC may also provide advice with respect to commercial mortgage obligations, mortgage and other asset backed securities, corporate loans, securities lending, derivatives, dollar roll transactions, repurchase agreements, reverse repurchase agreements, syndicated bank loans, structured products, master limited partnership interests, energy infrastructure investments and various real estate investments. IIM LLC may also invest in pooled vehicles that invest in these strategies as well as others, such as private equity or fund-of-funds. Generally, the minimum size for opening and maintaining an account is subject to individualized negotiation with each client.

## ITEM 8

# Methods of Analysis, Investment Strategies and Risk of Loss

With an emphasis on active management, our investment mission is to find unrecognized value ahead of consensus. To this end, our portfolio management teams seek original insights on markets and securities and a vision of investment potential



that differs from the consensus view. We apply our proprietary research and analytics, global resources, portfolio diagnostics and risk management to the development of investment products and solutions in pursuit of our clients' objectives. For clients and funds seeking more quantitative or model-driven solutions, we seek to bring technical and analytical expertise in developing rigorous and superior solutions. The primary focus of IIM LLC's investment management is fixed income in nature, although some equity, alternative and private equity investing strategies are also employed.

#### **FIXED INCOME**

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

#### **CASH MANAGEMENT**

Where permitted by applicable law and appropriate disclosure is made, IIM LLC may use affiliated investment companies or other investment vehicles—such as the ING Funds—as cash “sweep” vehicles for client accounts or other funds. Unless otherwise provided in the applicable documents, IIM LLC typically offsets the management fees on the assets invested under the “sweep” program so as to avoid double-charging.

#### **RISKS**

Investing in securities involves risk of loss that clients should be prepared to bear. Set forth below are the key investment risks associated with IIM LLC's significant investment strategies and methods of analysis as well as with many of the investment techniques or instruments that may be used. Any of the following risks, among others, could affect performance or cause an investment to lose money or to underperform market averages.

Investing in securities involves risk of loss that clients should be prepared to bear. Any of the following risks, among others, could affect performance or cause an investment to lose money or to underperform market averages.

#### **GENERAL INVESTMENT RISKS**

**Company.** The price of a given company's stock could decline or underperform for many reasons including, among others, poor management, financial problems, or business challenges. If a company declares bankruptcy or becomes insolvent, its stock could become worthless.

**Convertible Securities.** Convertible securities are securities that are convertible into or exercisable for common stock at a stated price or rate. Convertible securities are subject to the usual risks associated with debt securities, such as interest rate and credit risk. In addition, because convertible securities react to changes in the value of the stocks into which they convert, they are subject to market risk.

**Currency.** To the extent that a client invests directly in foreign currencies or in securities denominated in or that trade in foreign (non-U.S.) currencies, it is subject to the risk that those currencies will decline in value relative to the U.S. dollar or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged.

**Derivative Instruments.** Derivative instruments are subject to a number of risks, including the risk of changes in the market price of the underlying securities, credit risk with respect to the counterparty, risk of loss due to changes in interest rates and liquidity risk. The use of certain derivatives may also have a leveraging effect which may increase volatility and reduce returns.

**Foreign Investments.** Investing in foreign (non-U.S.) securities may result in more rapid and extreme changes in value than an investment exclusively in securities of U.S. companies due to smaller markets, differing reporting, accounting and auditing standards, and nationalization, expropriation or confiscatory taxation, foreign currency fluctuations, currency blockage, or political changes or diplomatic developments.

Transactions in foreign securities may entail materially higher commission rates, reflecting settlement costs in the country of execution. To the extent that securities are required to be custodied in a foreign country, the local foreign custodian charges the broker in accordance with local custom.

**Liquidity.** If a security is illiquid, IIM LLC might be unable to sell the security at a time when desired, and the security could have the effect of decreasing the overall level of the Fund's liquidity. Further, the lack of an established secondary market may make it more difficult to value illiquid securities, which could vary from the amount realized upon disposition. IIM LLC may make investments in private placements which do not trade on the open market or in other securities that may become less liquid in response to certain market developments or adverse investor perception. A client could lose money if it cannot sell a security at the time and price that would be most beneficial to it.

**Market.** Stock prices are volatile and are affected by the real or perceived impacts of such factors as economic conditions and political events. The stock market tends to be cyclical, with periods when stock prices generally rise and periods when stock prices generally decline. Any given stock market segment may remain out of favor with investors for a short or long period of time, and stocks as an asset class may underperform bonds or other asset classes during some periods.

**Market Capitalization.** Stocks fall into three broad market capitalization categories—large, mid and small. Investing primarily in one category carries the risk that, due to current market conditions, that category may be out of favor with investors. If valuations of large-capitalization companies appear to be greatly out of proportion to the valuations of mid- or small-capitalization companies, investors may migrate to the stock of mid- and small-sized companies causing an investment in these companies to increase in value more rapidly than an investment in larger, fully-valued companies. Investing in mid- and small-capitalization companies may be subject to special risks associated with narrower product lines, more limited financial resources, smaller management groups, and a more limited trading market for their stock as compared with larger companies. As a result, stock of mid- and small-capitalization companies may decline significantly in market downturns.

**Securities Lending.** Securities lending involves two primary risks: “investment risk” and “borrower default risk.” Investment risk is the risk of loss of the cash collateral received from the borrower. Borrower default risk is the risk that an investment will lose money due to the failure of a borrower to return a borrowed security in a timely manner.

#### INVESTMENT STRATEGY RISKS

In addition to the risks involved with various instruments and markets noted above, various investment strategies also may entail unique risks. Several of these are set forth below. In all cases, a client should review applicable offering documents and/or other materials, which will generally have more detailed information about relevant risks.

**Equities.** Some of our investment strategies focus on equities. Equities can be of various types, such as common stock or preferred stock, and generally are subject to market, company-specific and liquidity risks.

**Fixed Income.** Many of our investment strategies focus mainly or in part on fixed income securities, which can include a wide array of debt instruments, including investment grade debt, government securities, corporate debt, money market instruments, mortgage-backed securities, non-investment grade (or “high yield”) debt, and others. To varying degrees—and depending on the particular instruments—fixed income securities are subject to interest rate, credit and liquidity risks, among others.

**Quantitative Strategies.** A number of our strategies are quantitative based, meaning that they employ mathematical or analytical tools in determining portfolio decisions. These strategies may involve the risk of software being inaccurately programmed or flaws in the applicable model or analysis.

**Mortgage-Backed Securities.** A number of our strategies employ mortgage-backed securities, which are securities that directly or indirectly hold pools of residential or commercial mortgages. In addition to interest rate and credit risk, these instruments also involve prepayment risk, which is the risk that borrowers prepay their mortgages faster or slower than anticipated.

**High-Yield Securities.** Investments rated below investment grade (or of similar quality if unrated) are known as “high-yield securities” or “junk bonds.” High-yield securities are subject to greater levels of credit and liquidity risks. High-yield securities are considered primarily speculative with respect to the issuer’s continuing ability to make principal and interest payments.

**Emerging Markets.** IIM LLC has a number of funds or accounts that invest in emerging market debt or equity. These markets are often in developing countries and tend to be more volatile and risky than more established trading markets. In addition, the instruments and investments of emerging markets often carry higher credit and/or company risks.

**Real Estate.** Various IIM LLC strategies concentrate in real estate investments and may employ sub-advisers. Real estate markets tend to be less liquid than other markets and also tend to have more subjectivity in valuation. In addition, real estate investments can be especially prone to regional or general economic cycles.

#### ITEM 9

### Disciplinary Information

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

Neither IIM LLC nor its management has been involved in any legal or disciplinary events in the past ten years that would be material to a client’s evaluation of IIM LLC or the integrity of IIM LLC’s management. For more information on disciplinary and legal matters that may involve IIM LLC or certain of its related companies, see Item 11 of IIM LLC’s Form ADV-Part 1, available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

#### ITEM 10

### Other Financial Industry Activities and Affiliations

IIM LLC is part of a large, global financial services company and, as such, has relationships and affiliations with many other entities engaged in the financial industry. IIM LLC’s ownership structure is explained more fully in Item 4. Aside from being registered as an investment adviser with the SEC, IIM LLC may also determine to register in various non-U.S. jurisdictions depending on business needs and regulatory requirements. IIM LLC also provides services to certain affiliated clients relating to asset liability management. The services include: (a) creating and validating asset models; (b) assistance relating to asset cash flow scenario projections; (c) asset analysis and asset liability management monitoring analysis; (d) assistance in selecting and maintaining the appropriate hardware and software systems, including validating software upgrades and assisting with problems with vendors; (e) attending necessary meetings and conferences. These services are currently provided only to affiliated insurance companies.



IIM LLC utilizes the services of employees from other affiliated investment advisers across multiple locations, including those in other regions of the world, and vice versa. IIM LLC may also have dual employees with other ING entities. IIM LLC may invest clients' assets in certain limited partnerships or limited liability companies that invest in various private equity and fund-of-fund strategies for which affiliates of IIM LLC act as investment managers or are the general partners or managing members.

#### **EMPLOYEE SHARING AND OFFICE SHARING**

Through employee-sharing and referral arrangements IIM LLC has established with affiliates, IIM LLC provides various products and services to its advisory clients as well as clients of ING Investment Trust Co., one of its subsidiaries. Such affiliates include U.S. as well as non-U.S. registered and non-registered investment advisers, broker-dealers and other financial services providers. The affiliates may direct transactions for client portfolios from outside the U.S. and advise various types of private, non-registered funds and structured products for clients. IIM LLC may share office space, staff and other resources with any of its affiliates. In addition, IIM LLC may provide or receive investment advice or engage in sub-advisory, marketing, product development or other initiatives with affiliates or unaffiliated entities. Most notably, IIM LLC has entered into servicing, solicitation and employee-sharing agreements with affiliated advisers relating to portfolio management, trading and operational support.

For example, in certain cases, the trading desk of IIM LLC or an affiliate may handle orders for multiple affiliated advisers across multiple locations, including outside of the U.S. Likewise, trading desks of affiliates including some located outside of the U.S. may handle orders for IIM LLC. In addition, IIM LLC's trading desk may contract to provide trading, research and other support services to unaffiliated entities.

Allocation and similar investment and trading decisions, including those of affiliated entities, are made in a manner consistent with applicable policies designed to treat all clients fairly over time and under the circumstances.

IIM LLC may have solicitation arrangements in place with many of its affiliates, many of which are investment advisers and broker-dealers. Under these arrangements, the client does not pay higher fees than each adviser's typical advisory fees. In these relationships, IIM LLC generally shares revenue or otherwise pays or receives compensation directly to or from its affiliated entities, depending on the nature of the services involved.

Where permitted by applicable law and appropriate disclosure is made, IIM LLC may use affiliated investment companies or other investment vehicles such as the ING Funds as cash "sweep" vehicles for client accounts or other funds. Unless otherwise provided in the applicable documents, IIM LLC typically offsets the management fees on the assets invested under the "sweep" program so as to avoid double-charging of management fees.

#### **ITEM 11**

### **Code of Ethics**

#### **OVERVIEW**

IIM LLC has implemented a Code of Ethics ("Code"). The Code is designed to prohibit personnel from engaging in personal investment activities which compete with or attempt to take advantage of planned portfolio transactions. Subject to certain exceptions consistent with industry requirements (e.g., U.S. government securities, open-end investment companies, de minimus trades in equity securities issued by S&P 500 companies, etc.), the Code requires IIM LLC employees to receive pre-clearance from the ING Compliance Department before entering personal securities orders, provide duplicate brokerage statements and confirmations for personal trading accounts, regularly report securities transactions and holdings, and certify annually in writing regarding compliance with the Code. Subject to certain exceptions, the Code also establishes minimum holding periods before employees may profit from transactions (purchase and sale or sale and purchase) in the same or related securities. Certain employees maintain managed personal trading accounts with third party brokerage firms. Because these employees have granted discretion over their trading activity to a third party, they may be granted a waiver to the pre-clearance requirement for the securities transactions made in those accounts. These accounts are not subject to blackout periods or other requirements of the Code of Ethics and the transactions in these accounts may be in direct competition or contravention of client transactions. The Code further prohibits employees from purchasing IPOs; except for transactions made pursuant to an employee incentive compensation, retention or other program put in place by IIM LLC, its parent company or ING U.S.

Transactions in privately placed securities are permitted under the Code with IIM LLC Compliance and supervisory approval, subject to the requirements detailed above.

IIM LLC employees must pre-clear personal securities transactions prior to effecting such transactions, subject to the limitations of the pre-clearance requirement under the Code. Some shared employees may pre-clear with one or more of the ING firms with which they are employed in accordance with a predetermined policy. Also, subject to the same limitations, employees must submit on a quarterly basis, a summary of their personal securities transactions and a list of their personal securities holdings on an annual basis. IIM LLC employees are prohibited from using the influence of their position to obtain a personal trading advantage. Employees of IIM LLC may be restricted from purchasing or selling a security where it is determined that such security is appropriate for an IIM LLC client account or fund until such client account or fund has had an opportunity to make such transaction.

A copy of the Code is available to clients upon request.

#### **REGULATORY RESTRICTIONS**

The ability of IIM LLC or its affiliates to effect and/or recommend certain transactions may be restricted by applicable regulatory requirements in the United States and/or other countries or jurisdictions. In particular, activities of IIM LLC's affiliates involving

investment banking and other financial services may impose limitations on the advice or recommendations IIM LLC or its affiliates may give. Further, in situations where an affiliate of IIM LLC is involved in an underwriting or distribution of a company's securities, IIM LLC or its affiliates may be precluded from purchasing or recommending the purchase of certain securities of the company for clients.

#### **PRINCIPAL TRANSACTIONS**

Generally, IIM LLC does not effect transactions on behalf of its clients where an affiliate of IIM LLC is acting as principal. However, on rare occasions, IIM LLC may effect such transactions if IIM LLC deems them to be in the best financial interest of the client (for example, if an affiliated counterparty may be able to obtain a better price for IIM LLC's clients than independent counterparties or a security is not otherwise available in the market). For the purposes of this Form ADV, a counterparty may include a broker-dealer, bank, investment adviser, or insurance company. For affiliated clients, a principal transaction may be deemed to be a proprietary transaction because all parties involved are affiliated. Principal transactions conducted on behalf of non-affiliated clients would only be entered into in conformance with applicable federal securities laws.

#### **CROSS-TRADES**

In certain situations, where in the interests of clients or funds and permitted by the relevant client or fund documents, IIM LLC may direct one client account or fund to purchase or sell an investment from or to another client account or fund. For example, onshore and offshore funds following similar investment strategies may need to "rebalance" their portfolios periodically. These "cross trade" transactions will be done only where the portfolio manager can obtain best execution and as permitted by the participating accounts or funds.

#### **TRADING BY IIM LLC, AFFILIATES AND EMPLOYEES**

IIM LLC or its affiliates may give advice and take action with respect to their own investments which may involve the same or similar investments, or alternatively may differ from the advice, timing or nature of action taken with respect to other clients.

IIM LLC, its affiliates and/or its or their employees may in some cases personally invest in the same securities that are purchased for or recommended to clients, or they may own securities of issuers that are subsequently purchased for or recommended to clients. It is possible that IIM LLC may purchase or recommend publicly issued securities of the same issuers for its clients which its employees, or employees of affiliates, may have previously acquired through a private, non-public transaction. From time to time, conditions may arise in which shares may be purchased or sold for clients that are already owned by the principals or employees of a broker-dealer affiliate.

Because of the size of the firm, there may be numerous proprietary, employee and employee-related accounts with varying differences and considerations such as liquidity needs, realized and unrealized gains and losses, other tax consequences and differing assessments of market conditions; thus investment decisions for some proprietary, employee and employee-related accounts may not always be consistent with decisions made for

clients or funds. For the same reasons, investment decisions made on behalf of one client or fund may not always be consistent with investment decisions made on behalf of another client or fund.

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

#### **COMPLIANCE POLICIES AND PROCEDURES**

In order to monitor and address any potential conflicts of interest, IIM LLC has implemented various processes and procedures, including policies governing trading and allocations, as well as a Conflicts Committee. These processes and procedures are designed to ensure that all funds and accounts are treated fairly, and that allocations of offerings or investment opportunities among funds and accounts are equitable.

IIM LLC's internal procedures are structured so that, under most circumstances, when the trades for affiliated funds or accounts are executed in the same securities purchased for or recommended to client accounts, they will receive an execution price that is no more favorable than clients. Exceptions are only made for transactions arising from arbitrage, market making activities, and transactions executed through other firms.

IIM LLC has numerous other policies designed to address various potential conflicts of interest, such as receipt of gifts or entertainment, personal trading, and others.

#### **PROCEDURES GOVERNING MATERIAL, NON-PUBLIC INFORMATION**

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

#### **ERROR CORRECTION PROCEDURES**

On occasion, an error may be made in a fund or client account. For example, a security may be erroneously purchased for the account instead of sold or the amount of the transaction may be mistaken. Alternatively, a transaction processing error might occur. In these situations, IIM LLC generally seeks to rectify the error by placing the fund or client account in a similar position as it would have been had there been no error. Depending on

the circumstances and subject to applicable legal and contractual requirements, various corrective steps may be taken, including among others canceling the trade, correcting an allocation, netting amounts of gains and losses, or taking the trade into a firm error account (which may include positive and negative trading errors) and reimbursing the client account.

#### **PRIVACY POLICY**

We at IIM are committed to protecting the privacy of our clients' confidential information. Keeping your information secure is a top priority for our company. To protect such information from unauthorized access and use, we use various security measures including computer safeguards and secured files and buildings. Your information is used only within IIM except as required or permitted by law, including without limitation (a) where we use third parties to administer, service or otherwise maintain your accounts and (b) for marketing purposes where we think that we or our affiliates may have products or services that may be of interest to you.

Various state and federal laws have requirements with regard to the personal information of our clients who are individuals, and the following additional disclosures are addressed to such clients:

#### **Personal Information Privacy Notice**

##### **1. What personal information does IIM collect?**

The types of information we collect and share depend on the product or service you have with us. This information can include social security number, account balance, assets, income, and investment experience. We collect personal information, for example, when you open an account, give us your contact information, seek advice about your investments, or tell us about your investment portfolio. We may also collect your information from others, such as affiliates or other companies.

##### **2. How does IIM use my personal information?**

We use your personal information for our everyday business purposes, such as to process your transactions, maintain your account(s), respond to court orders and legal investigations. We may also use your information for our marketing purposes in order to offer our products and services to you.

##### **3. Does IIM share my personal information with third parties?**

All financial companies need to share customers' personal information to run their everyday business. We can share your personal information as necessary to administer, service or otherwise maintain your accounts and as otherwise permitted by law. We can also share information about your transactions and experiences with our affiliates for their everyday business purposes. Except as required or permitted by law, we will not share your information either with our affiliates or with nonaffiliated third parties to market to you unless we have previously notified you of our intent to share and given you an opportunity to limit this sharing.

##### **4. How does IIM protect my personal information?**

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.

#### **5. How will changes to this privacy notice and policy be communicated?**

This privacy notice is current as of the date of this brochure. We reserve the right to amend this notice at any time, but we will promptly notify you of any changes. For our individual clients who also do business with our affiliated ING U.S. businesses, such as the ING U.S. Insurance companies or ING Funds, please note that these companies have a separate privacy policy which is distributed by those companies.

#### **ITEM 12**

### **Brokerage Practices**

#### **FACTORS IN SELECTING BROKER-DEALERS AND COUNTERPARTIES**

IIM LLC generally has the authority and responsibility of selecting broker-dealers to effect transactions for accounts and negotiating commissions and other transaction costs. Because IIM LLC pursues fixed income strategies for the most part, it engages in a relatively small amount of equity transactions.

It is the policy of IIM LLC to seek to obtain best execution for portfolio transactions. In seeking best execution, IIM LLC considers a number of factors in selecting broker-dealers or counterparties, including but not limited to:

- Commission and/or transaction cost
- Execution capability
- Financial condition and responsibility
- Quality and reliability of brokerage and execution services
- Willingness to commit capital
- Research and other investment information or services

The research and/or brokerage services provided may be used for some or all client accounts managed by IIM LLC, not just those accounts purchasing a specific security or from a specific broker-dealer or counterparty. Also, the accounts may not necessarily receive any or all direct benefit of the services.

In its discretion, IIM LLC does not obligate itself to seek the lowest commission cost on each individual transaction and may cause a client to pay commission costs which may exceed the cost typically charged by the executing broker-dealer or another broker-dealer. This may occur when IIM LLC determines in good faith that the commission costs are reasonable in relation to the research and/or brokerage services provided by the broker-dealer.

As a general matter, IIM LLC does not consider referrals from or sales by a broker-dealer in making brokerage decisions. However, where permitted by applicable law and where appropriately disclosed to clients, IIM LLC could determine to do so in the future; such a practice would pose a conflict of interest to IIM LLC in that brokerage decisions could be influenced by referrals as opposed to the most advantageous execution.

#### **DIRECTED BROKERAGE AND SIMILAR ARRANGEMENTS**

IIM LLC does not recommend, request or require that a client direct transactions to be executed through a particular broker-dealer.

In general, IIM LLC permits clients to establish directed brokerage arrangements if they desire, although IIM LLC may limit the circumstances under which it will participate in these arrangements. Where a client directs IIM LLC to execute transactions for its account through designated broker-dealers, the client is responsible for ensuring that (1) all services or rebated commissions provided by the designated broker-dealers will inure solely to the benefit of the client's account and any beneficiaries of the account, are proper and permissible expenses of the account, and may properly be provided in consideration for brokerage commissions or other remuneration paid to the designated broker-dealers, (2) using the designated broker-dealers in the manner directed is in the best interests of the client's account and any beneficiaries of the account, taking into consideration the services provided by the designated broker-dealers, (3) its directions will not conflict with any obligations persons acting for the client's account may have to the account, its beneficiaries or any third parties, and (4) persons acting for the client's account have the requisite power and authority to provide the directions on behalf of the account and have obtained all consents, approvals or authorizations that may be required under applicable law or instruments governing the account.

In such directed brokerage arrangements, the client should recognize that it may restrict or prevent IIM LLC from obtaining best execution which may cost the client more money; IIM LLC may not be able to obtain as favorable a transaction price or commission rates as might otherwise be available. Moreover, in a directed brokerage arrangement, the client may forego benefits by limiting IIM LLC's ability to aggregate trade orders with those of other clients, thereby missing opportunities to lower commissions and/or transaction costs. Likewise, directed brokerage arrangements may also result in directed trades being executed after trades for other funds or accounts, which can result in inferior prices for that client. Where permitted by the advisory agreement or other operative documents, IIM LLC may determine to use another broker-dealer if IIM LLC believes it will provide superior execution, even though the account may incur commission charges.

Upon a client's request, IIM LLC may direct trades to minority owned and/or women-owned broker-dealers. In addition, where consistent with best execution, IIM LLC may choose to trade with these broker-dealers.

Clients directing transactions to a broker may pay materially disparate commissions depending upon the commission rates of the brokerage firms they designate. Clients who, in whole or in part, direct IIM LLC to use a particular broker-dealer to execute transactions for their accounts bear full responsibility for the selection, including fees, commissions, the quality of the broker-dealer's services, and the broker-dealer's financial wherewithal. Furthermore, those clients may be precluded from participating in the allocation of investment opportunities including IPOs and new issues brought to IIM LLC through broker-dealers. Broker-dealers selected by clients may also refer other clients to IIM LLC or its affiliates. This could give rise to a conflict of interest or the appearance of a conflict of interest with respect to the execution of trades. A client may have various

brokerage options, including utilizing services of the referring broker-dealer, another broker-dealer the client selects, or broker-dealers generally used by IIM LLC for execution.

In relatively infrequent cases, clients—rather than IIM LLC—may retain investment and brokerage discretion over their respective accounts. Some broker-dealers may recommend that IIM LLC be invited to make presentations and proposals for potential clients' business, which could raise a potential conflict of interest.

Unless specifically directed to utilize a particular broker-dealer, it is IIM LLC's policy to place orders with broker-dealers that it believes will provide best execution of the order. Such broker-dealers may include affiliated broker-dealers or unaffiliated broker-dealers, including electronic securities brokers. Affiliated broker-dealers may make markets in certain over-the-counter securities and in connection with such activities maintain an inventory in the securities in which it makes markets ("market-making securities"). The trading of market-making securities is not subject to limitations placed on employee or employee-related accounts. In general, except where permitted by law and with client consent, affiliated broker-dealers will not, acting as principal, buy securities from or sell securities to IIM LLC's advisory clients. However, in some cases, affiliated broker-dealers may purchase or sell such market-making securities for clients as agent for the client through other market-makers, dealers or brokers. Since the purchase or sale of such market-making securities may affect the price of such market-making securities, the affiliated broker-dealer may indirectly benefit from the purchase or sale of such market-making securities for the account.

#### **ALLOCATIONS AND RELATED MATTERS**

IIM LLC may, but is not obligated to, combine or aggregate purchase or sale orders for the same security for various funds and clients, including clients of ING Investment Trust Co., other affiliates or clients and funds for which the IIM LLC trading desk provides trading support services, in an effort to seek more favorable execution or lower commission costs. Because some of IIM LLC's shared employees provide portfolio management services to affiliates' funds or client accounts, the affiliates' funds and accounts may be included in the same block trades with IIM LLC's funds or accounts. Nonetheless, the shared employees are required to treat all accounts in a fair and equitable manner with respect to the block trade allocation. When transactions are aggregated, it is the general policy of IIM LLC that no advisory account, including any proprietary account, will be favored over any other account. Funds and accounts participating in the aggregation of equity orders will generally do so at the average share price and all transaction costs will be shared on a pro-rata basis. IIM LLC's general philosophy in allocating a block trade for fixed income securities is that accounts participating in the block should receive the same average price or average spread to U.S. Treasuries. In cases where fixed income securities are traded on a spread to U.S. Treasuries basis, the net price for a security may differ for different accounts participating in the same block trade even though the spread to Treasuries for each account may be the same.

In some instances, IIM LLC may not be able to acquire the entire amount of a fixed income order from one broker-dealer/



counterparty because that broker-dealer/counterparty may not be able or willing to trade in the quantity, price, or spread to U.S. Treasuries that IIM LLC desires. Thus, IIM LLC may have to effect additional trades in the same security on the same day through different broker-dealers/counterparties, in which case, aggregation of the multiple orders for different broker-dealers/counterparties is not practically possible because most trade orders for fixed-income securities are executed, or filled, as they are placed. As a result, each fixed income trade order placed with a different broker-dealer/counterparty is deemed to be a separate trade order. IIM LLC will attempt to aggregate the accounts for each such trade order according to investment objectives, mandates, benchmarks, cash flows, sector weightings, issuer exposure, custodians, or any other method deemed reasonable by IIM LLC. Generally, IIM LLC cannot average the price or spread to U.S. Treasuries for different funds or accounts, or even the same fund or account, when the same security is traded through different broker-dealers/counterparties on the same day because accounts would incur additional transaction costs. As a result, some minor price variations may exist.

Nevertheless, IIM LLC will attempt to transact these trades at the same or as close to the same spread to U.S. Treasuries or price, as possible, without causing the funds or accounts to incur additional transaction costs.

Underwriters of new issues may consider various factors in making such securities available to customers, including the amount of primary and secondary transactional business such customers conduct with such underwriter. As such, certain firms may consider their overall level of business with IIM LLC, including transactions for its clients and for clients of IIM LLC's affiliates. In the view of IIM LLC, it is neither appropriate nor practicable to allocate new issues to clients on the basis of the degree to which such client's transactions affected the new issue allocation. Accordingly, any client or account may receive an allocation greater or less than a share based solely upon its own transactional business might otherwise generate. In those instances where there is limited supply for a particular security or investment opportunity resulting in aggregated orders which remain only partially filled at the end of the trading day, there is no certainty that the investment opportunities will be allocated to all funds or accounts, including mutual funds; allocated equally among accounts participating in the aggregated transaction; or otherwise allocated according to any established standard. In these instances, IIM LLC will attempt to allocate investment opportunities, including IPOs and new issues, in a fair and equitable manner over time and under the circumstances.

Consideration may be given to factors including, but not limited to, the size of the original order, adjusted for, among other things, round lots; the size of the accounts; the benchmark each account is utilizing; the cash available for investment in each account; or whether clients have given IIM LLC directed brokerage instructions and whether IIM LLC is employing "step outs" to effect such transaction (in which case, IIM LLC may elect not to allocate the transaction to the directed brokerage accounts, as the client may incur additional fees charged by its custodian bank regarding the number of trades to settle). Therefore, clients who direct IIM LLC to trade with a particular broker-dealer may be precluded from certain investment opportunities.

## TRADE ALLOCATION PROCEDURES

In order to attempt to maximize the benefit derived by its clients in terms of price when it determines that more than one client or account should purchase or sell the same security, IIM LLC frequently uses an average pricing technique. To achieve an equitable result among its clients for whom it buys or sells the same security on the same day and through the same broker, IIM LLC may, subject to the limitations set forth below, aggregate individual orders and seek execution of them as a block or in several blocks through a broker, working the order in such a way as to try to avoid a material impact on the market price until all orders are complete. IIM LLC then instructs the executing broker to calculate the average price for all shares so traded. IIM LLC employs the average pricing method in order to avoid having some clients pay more (or receive less) than other clients when their individual investment objectives and portfolio balances warrant investment (or divestiture) of identical securities. Each participating client account will participate at the average share price and transaction costs will be shared pro-rata based on each client's participation in the bunched order. This average pricing method typically has no impact upon brokerage commissions. It is also generally applied to funds and accounts in which IIM LLC and/or its affiliates are the sole investors and which IIM LLC and/or its affiliates are the managers.

Accounts that direct their securities transactions to a particular broker-dealer will generally have average price mechanisms limited to their place of execution or executing broker. If a bunched order is only partially filled, the securities purchased will generally be allocated pro-rata to each participating account in the bunched order based upon the initial amount requested for the account (subject to rounding to "round lots" or other minimum thresholds). From time to time, a rotational system designed to provide all clients, including accounts that do not permit "step outs," as well as accounts that are not part of a directed brokerage program, with fair access to trading opportunities over a reasonable period of time, may be used.

For a number of investment strategies, IIM LLC may use or share trading personnel and trading desks with other affiliated asset managers across multiple locations. Depending on the strategy and situation, allocations and investment decisions may be made across several trading desks in the manner deemed most advisable by the portfolio manager(s) and/or traders.

IIM LLC, its affiliates, or either of their employees may also be investors in investment funds managed by IIM LLC or its affiliates in which clients may also invest. Such investment funds are generally treated as client accounts, and are neither given preferential nor inferior treatment versus other client accounts in terms of allocations. As noted above, some funds may negotiate lower fees or other unique arrangements with certain investors, provided that the fund is not harmed. For example, affiliated entities of IIM LLC or employees may have arrangements with IIM LLC or other affiliated entities that would permit them to invest in a fund at lower overall fees than would otherwise be the case. In these situations, other investors in the fund would not pay any higher fees, but rather IIM LLC or its affiliates would receive lower overall revenue.

## **IPO ALLOCATIONS**

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

Clients may specify parameters of equity or bond exposure which they are willing to accept as a percentage of total market value as well as certain minimum quality standards which are to be applied to purchases of these securities, and diversification levels may be specified which control the amount of any single industry or issue taken as a percentage of the total portfolio. The portfolio manager responsible for the account may accept or reject investment restrictions, based upon whether the restrictions will unduly impede management of the account. In the event that a restriction is not acceptable to IIM LLC, the decision is communicated to the client.

As noted above under directed brokerage arrangements, a client selects the broker from time to time to be utilized for executions in the client's account. In such instances, these orders usually will be entered after the completion of client orders for which the firm is authorized to select the executing broker. The result of this policy is that a client who directs its brokerage may have transactions executed at prices different from those of other clients, and which may be either more or less favorable. In addition, IIM LLC rotates the order of the brokers used for those clients who direct their transactions to a particular broker in the event there are to be multiple directed transactions in the same security. This may advantage or disadvantage a client who directs its trades.

## **ITEM 13**

### **Review of Accounts**

Generally, the primary responsibility for the investment management services provided to each client or fund resides with the portfolio managers who are assigned to manage that client's account. Portfolio managers are responsible for the appropriateness of the investments pursuant to the account's investment objectives, guidelines and restrictions. These reviews include a review of the account's performance, investment objectives, security positions and other investment opportunities.

IIM LLC's investment groups are generally organized according to the various investment strategies offered. Each strategy is usually effected by a group headed by one or more lead portfolio managers. In addition to the lead portfolio manager(s), the group may consist of other portfolio managers and analysts.

The lead portfolio manager is responsible for establishing and implementing the over-all investment strategy that the other members of the group will effect. The number of accounts assigned to each portfolio manager will vary according to the size and complexity of the accounts. In general, portfolios are reviewed by the traders, investment teams and/or lead portfolio managers. The number of accounts reviewed by each reviewer varies depending upon the nature and size of the accounts under management.

With respect to certain investment strategies, as a general matter, at least monthly, one or more lead portfolio managers will review certain client portfolios for consistency of investment policy implementation.

## **CLIENT REPORTS**

IIM LLC generally furnishes reports to clients, at least quarterly, regarding their portfolio assets, positions, costs, valuation, performance, transactions and, often, narrative information about the investments, market and economic conditions. Clients may also receive monthly statements and confirmations of transactions from the custodian bank for the clients' account. With respect to registered investment companies and other regulated investment vehicles, investors are typically provided with reports as required by applicable law.

## **ITEM 14**

### **Client Referrals and Other Compensation**

#### **ADDITIONAL COMPENSATION**

From time to time, IIM LLC may have referral or solicitation arrangements with affiliated and non-affiliated persons or entities from which IIM LLC may receive or to which IIM LLC may pay compensation for the referral of business. Generally, any such arrangements are pursuant to agreements consistent with Rule 206(4)-3 under the Advisers Act. These arrangements may raise potential conflicts of interest insofar as because the person providing the referral or solicitation is either an affiliate of IIM LLC or is otherwise being compensated and, therefore, may not be objective. Disclosures of the arrangement or affiliation are made to the client and the client does not bear the cost of referral fees or solicitation fees which may vary on a case-by-case basis.



Further, IIM LLC or its affiliates may participate in conferences and other functions sponsored by consultants and may purchase research or other services from such consultants. From time to time, these consultants may recommend IIM LLC or affiliates to clients. These recommendations are not based on, or related to, the purchase of research or services, or the participation in conferences or other functions.

#### ITEM 15

### Custody

Custody information for IIM LLC may be found in its Form ADV Part 1 Item 9 available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Clients should receive at least quarterly statements from the broker-dealers, banks or other qualified custodians that hold and maintain clients' funds and securities. IIM LLC urges clients to carefully review such statements and compare such official custodial records to the account statements that IIM LLC may provide. IIM LLC statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities so clients are advised to contact IIM LLC and their custodians with questions.

#### ITEM 16

### Investment Discretion

IIM LLC typically receives complete discretionary authority from the client at the outset of an advisory relationship through an investment management agreement or other documents to select the identity and amount of securities to be bought and sold, select the broker-dealers and other service providers that will service and support the operation of the account, execute trades on behalf of the client and generally engage in all activities that are essential or incidental to the investment management services IIM LLC provides. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. While IIM LLC generally does not select other advisers for clients, as part of asset allocation or similar products it may do so; in addition, as part of these products, IIM LLC may select funds or investment vehicles that are advised or sub-advised by other entities.

In managing its clients' accounts, IIM LLC observes the investment policies, limitations and restrictions of the clients for which it advises. IIM LLC's authority to manage the accounts may also be limited by securities, tax and other applicable laws. Investment guidelines and restrictions must be provided to IIM LLC in writing. IIM LLC will generally work with clients in tailoring the advisory services and investment guidelines for separately managed accounts. In addition, clients generally may impose their own investment restrictions.

#### ITEM 17

### Voting Client Securities

#### PROXY VOTING POLICY:

##### I. General Procedures

IIM LLC has responsibility for making investment decisions that are in the best interest of its clients. As part of the investment

management services it provides to clients, IIM LLC may be instructed by clients to vote proxies appurtenant to the shares for which the clients are beneficial owners.

As a fiduciary, IIM LLC believes that it has a duty to manage clients' assets solely in the best interest of the clients and that the ability to vote proxies is a client asset. Accordingly, IIM LLC has a duty to vote proxies in a manner in which it believes will add value to the client's investment. IIM LLC may amend its proxy policies and procedures from time to time.

Because IIM LLC manages overwhelmingly fixed income assets, it has relatively few occasions on which it has proxies to be voted. In those situations where IIM LLC is required to vote proxies, it coordinates with and relies on the proxy voting committee of ING Investment Management Co. (the "Proxy Committee").

#### II. Proxy Voting Procedures

The proxy voting procedures below explain the role of the Proxy Committee, the proxy voting service, and the Proxy Manager, as well as how the process will work when a proxy question needs to be handled on a case-by-case basis, or when there may be a conflict of interest.

##### The Role of the Proxy Committee (the "Committee")

The Committee exercises control of the voting of proxies by establishing written guidelines and participates, as needed, in the resolution of issues or conflicts of interest that need to be handled on a case-by-case basis. The Committee annually reviews guidelines governing proxy votes. The Committee is assisted in this process by an independent proxy voting service and the Proxy Manager.

##### The Role of the Proxy Voting Service

Independent proxy voting services have been engaged to assist in the voting of proxies. The proxy voting services are responsible for coordinating with the client's custodians to ensure that all proxy materials received by the custodians relating to each client's portfolio securities are processed in a timely fashion. To the extent applicable, the proxy voting services vote all proxies in accordance with guidelines provided to them, unless they receive overriding instructions from the Proxy Manager. Depending on circumstances, in the future one or more other proxy voting services or external vendors could be retained.

##### The Role of the Proxy Manager

Treasury Operations deals directly with the client's custodian to ensure proxies and related materials are properly forwarded to the proxy voting service. Thereafter, the Proxy Manager works with the proxy voting service to cast votes, resolve issues with the Proxy Committee, and compile proxy voting reports.

##### Conflicts of Interest

Occasions may arise where a person or organization involved in the proxy voting process may have a conflict of interest. A conflict of interest may exist, for example, if IIM LLC or an affiliate has a business relationship with (or is actively soliciting business from) either the company soliciting the proxy or a shareholder proponent of a proxy proposal. In any case of a known conflict of interest, application of the proxy guidelines is designed to address conflicts. Where application of the proxy guidelines does not

resolve the conflict, the Committee would generally be consulted or the client may be contacted.

#### **Procedures for Voting Client Proxies**

Daily, the Proxy Manager reviews the proxy voting service research and recommendations. If the recommendations are consistent with the applicable written guidelines, no action is taken. If there is a difference between the guidelines of the proxy voting service and the written guidelines, the Proxy Manager submits an overriding vote consistent with the written guidelines.

Case-by-case issues not covered in the guidelines will generally be voted with the proxy voting service recommendations, but the vote recommendations may be overridden where warranted.

If the application of the proxy voting guidelines is unclear, a particular proxy question is not covered by the guidelines, or the Proxy Manager strongly disagrees with the proxy voting service recommendation, the Proxy Manager would elevate the issue to the Committee, which would then determine how to vote (a simple majority vote is needed). If a conflict of interest exists, the Committee will generally vote with the proxy voting service (or client) recommendation. In the unlikely situation where a conflict of interest exists and the proxy voting service cannot issue a recommendation due to a conflict of interest of its own, the Committee will determine how to proceed. To implement these procedures, the Committee may use external service providers.

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

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

Where the proxy voting service recommends a particular course of action, the Proxy Manager will generally follow the recommendation after consultation with the portfolio manager. In situations where the proxy voting service does not recommend a course of action, absent a conflict of interest the portfolio manager will generally decide. In the event there is a conflict of interest, either the recommendation of the proxy voting service or client will be followed (if available) or the Committee will make the ultimate decision.

#### **III. General Guidelines**

In general, the proxy voting guidelines oppose management proposals to protect themselves from shareholders, i.e., roadblocks to takeovers, including poison pills, dual classes of stock or voting privileges, super majorities, etc.

IIM LLC will generally support routine management proposals, including election of most directors and approval of auditors. Other proposals will be voted on when they come to the attention of IIM LLC.

Stockholder proposals will generally be voted in accordance with the proxy voting guidelines (if applicable) or brought to the attention of the Committee for a final decision.

#### **IV. Obtaining Voting Records**

Generally, information regarding a specific vote will not be divulged prior to the shareholder meeting; however, IIM LLC will provide its standard proxy voting guidelines to clients upon request. Clients can obtain records on how IIM LLC voted their shares for a specified period of time by contacting their Client Service Representative or Relationship Manager.

Clients whose custodians establish omnibus accounts or who are part of wrap fee or managed account programs may get proxy reports for a larger pool of securities than that in which they were invested.

#### **V. Records**

The Proxy Manager will take necessary steps to retain, or arrange for the retention of, the proxy voting records (as defined by the SEC) for six years or such other period as may be required by applicable law or regulation.

#### **Class Actions and Litigation**

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

#### **ITEM 18**

### **Financial Information**

IIM LLC does not require or solicit payment of fees in excess of \$1200 per client six months or more in advance. IIM LLC is required in this Item to provide clients with certain material financial information or disclosures about its financial condition. To the best of our knowledge and belief, IIM LLC has no financial commitment that is reasonably likely to materially adversely affect its ability to provide investment management services to its clients, and has not been the subject of a bankruptcy petition.







