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This brochure provides information about the qualification and business practices of International Strategy & Investment Inc. ("ISI Inc"). If you have any questions about the contents of this brochure, please contact us at 212-446-9406, or by email at [khasson@isigrp.com](mailto:khasson@isigrp.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. ISI Inc. is registered with the SEC as an investment adviser. Registration does not imply any certain level of skill or training

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

# Material Changes

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## Annual Update

ISI Inc. is providing this information as part of our annual updating amendment which contains material changes from our last annual update. This section discusses only material changes since the last annual update which most recently occurred on May 31, 2013.

## Material Changes since the Last Update

In June 2013, ISI Inc. appointed Anthony John Rose as the Firm's Chief Compliance Officer and Chief Financial Officer. Mr. Rose is thus responsible for the books and records and the administration of the adviser's written policies and procedures to prevent violations of the Advisers Act and Rules on the part of ISI Inc. and its supervised persons. The SEC requires that a designated compliance officer be competent and knowledgeable regarding the Advisers Act and have appropriate authority to develop and enforce policies and procedures of the Firm. Mr. Rose has the appropriate background and education to assume the aforementioned positions.

In addition, Nancy Lazar who served as Director, Secretary of the Board, and Vice Chairman of ISI Inc., has resigned from all position but maintains her ownership of ISI Inc.

## Full Brochure Availability

Our Firm Brochure for is available by contacting Kim-Marie Hasson, Compliance Officer at 212-446-9406, [khasson@isigrp.com](mailto:khasson@isigrp.com) or Loretta Price, Vice President at 212-888-6197, [lprice@isimgt.com](mailto:lprice@isimgt.com) .

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# Advisory Business

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## Firm Description

ISI Inc. was founded in 1991 by Edward S. Hyman, Robert A. Medaugh, and Nancy R. Lazar and is currently registered with the SEC as an independent investment adviser with its principal office in New York City.

## Principal Owners

ISI Inc.'s founders still own 100% of the firm, with Edward Hyman serving as a Director and the Chairman of the Board and Robert Medaugh serving as the President and Director of ISI Inc.

## Types of Advisory Services

ISI Inc. is organized as Funds Management (FM) and Account Management (AM). Fund Management provides investment management services for the following strategies: U.S. fixed-income, global bond and equity-oriented funds. Our bond management draws on ISI Inc.'s research to anticipate interest rate changes. We actively manage our clients' portfolios to benefit from these changes. See Item 8, Methods of Analysis, Investment Strategies and risk of Loss. ISI Inc.'s mutual fund family includes the Total Return U.S. Treasury Fund, the Managed Municipal Fund, the North American Government Bond Fund, and the Strategy Fund.

ISI Inc.'s Account Management business for high net worth and institutional clients manages tailor-made equity and balanced portfolios, taking into account clients' specific risk tolerance, tax, or other estate planning considerations. Our stock selection is focused on fundamental research and emphasizes active management. Account Management's investment strategies include Mid & Large Cap Core Equity, Equity Income, Global Equity, International Equity, and thematic portfolios such as American Renaissance, European Select, and New Tech. Allocations into fixed income for balanced accounts invest in high-quality fixed income securities and may utilize commingled funds and exchange traded funds.

### Tailored Relationships

We tailor our advisory services to the objectives and restrictions of each client. Clients may restrict the securities we purchase for their accounts for many reasons, including social responsibility, tax considerations or for purposes of diversification with other holdings.

## Wrap Fee Programs

ISI Inc., as an investment adviser, participates in certain "wrap programs" (i.e., programs in which a client pays a program sponsor or broker a single "wrap fee" for advisory services, certain brokerage services, monitoring of the investment adviser's performance and custodial services, or some combination of these or other services). For each wrap program, clients are given the opportunity of choose an investment adviser.

When a wrap program client selects ISI Inc. as investment adviser, ISI Inc. provides discretionary investment advisory services for the client's account under the terms of a wrap program agreement. As with ISI Inc.'s other clients, ISI Inc. provides continuous investment advice based on the individual needs of the wrap program client. Apart from the advisory services provided by ISI Inc., all services provided for the client's account under the terms of the wrap program agreement (such as brokerage, custodial or monitoring services) are provided by the program sponsor, the broker or a party other than ISI Inc.. In addition account performance reports are generally provided to the wrap program client by the program sponsor.

ISI Inc. does not act as sponsor of any wrap program.

### Wrap Program Agreements

The wrap program agreement and any ancillary documents are executed by the program sponsor or broker, the wrap program client and/or ISI Inc. depending on the wrap sponsor. Generally, any party may terminate the relationship as provided in the documents. Specified advance notice of termination may be required as specified in the documents.

### Fees

The program sponsor or broker charges the wrap program client a total "wrap fee" in accordance with the terms of the wrap program agreement. ISI Inc. generally receives its advisory fee from this wrap fee paid to the program sponsor or broker.

In connection with wrap programs, ISI Inc. generally does not negotiate its advisory fees with any wrap program client. Rather, ISI Inc.'s advisory fees are as described on a fee schedule that ISI Inc. agrees to with the program sponsor or broker. The advisory fees received by ISI Inc. in connection with wrap programs may vary from fees charged to ISI Inc.'s other clients.

### Special Considerations

When determining whether to participate in a wrap program, a client should consider whether participation in the wrap program will cost the client more or less than purchasing the wrap program services separately (depending on such factors as the amount of the wrap fee, the type and size of the account, the type of assets to be purchased for the account, the historical and or expected size and number of trades for the account, the value the client attributes to monitoring, custodial and other services that may be provided pursuant to the wrap program, and the value the client places on having access to the particular investment advisors participating in the wrap program). In evaluating a wrap program, a client should understand that trades for the wrap program client's account would generally be executed with the program broker. A client should also understand that ISI Inc. generally would not negotiate brokerage commissions with the program broker with respect to transactions effected for the wrap fee client's accounts since those brokerage commissions are generally included in the wrap fee. The program broker may charge higher commissions, or may provide less advantageous execution of transactions with respect to transactions effected for the wrap program client's accounts, or may provide less advantageous execution of transactions, than if ISI Inc. selected the broker to execute the transactions or negotiated the commissions.

## Client Assets

As of 3/31/2014, ISI Inc. was actively managing 696,873,375 of client assets on a discretionary basis and 7,995,053 of client assets on a non-discretionary basis.

# Fees and Compensation

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## Description

### **FIXED INCOME PROGRAM**

For ISI Inc.'s Fund Management fixed income portfolios (the "Fixed Income Program"), the following fees are charged in arrears and are either directly debited from the account or invoiced:

#### **Registered Investment Company Clients**

- Total Return U.S. Treasury Fund, Inc.

<u>Portfolio Size</u>	<u>Annual Fee as a % of Assets</u>
First \$100 million	.20%
Next \$100 million	.18%
Next \$100 million	.16%
Next \$200 million	.14%
Assets over \$500 million	.12%

In addition, the Fund pays ISI Inc. 1.5% of the fund's gross income.
- Managed Municipal Fund, Inc.

.40% of the Fund's net assets
- North American Government Bond Fund, Inc.

.40% of the Fund's net assets
- ISI Strategy Fund, Inc.

.40% of the Fund's net assets

#### **Other Clients**

- Fixed Income Portfolios

<u>Portfolio Size</u>	<u>Annual Fee as a % of Assets</u>
First \$20 million	.50%
Assets over \$20 million	.40%

Fees are calculated daily and paid monthly at the above-listed annual rates based on the client's average daily assets. Please see the prospectus for the relevant fund for a complete description of the fees.

### **EQUITY BALANCED PROGRAM**

ISI Inc.'s Account Management clients can choose between a fee plus commission or bundled fee structure. For ISI Inc.'s Account Management balanced and equity portfolios (the "Balanced/Equity Program") consisting of equities as well as a blend of fixed income and equity securities, ISI Inc. charges in arrears. These fees are either directly debited from the account or invoiced:

<u>Portfolio Size</u>	<u>Annual Fee as a % of Assets</u>
Up to \$10 million	1.0% + Commissions (\$20 min. ticket charge)
\$10 million to \$20 million	.75% + Commission (\$20 min. ticket charge)
Assets over \$20 million	.625% + Commission (\$20 min. ticket charge)

ISI Inc. also has a fee scheduled for its Equity Balanced Program which does not require the separate payment of commissions or custodial charges. Some fee based discretionary accounts with a signed Investment Management Agreement are subject to a minimum quarterly account management fee of \$250. The charges are as follows:

<u>Portfolio Size</u>	<u>Annual Fee as a % of Assets</u>
Up to \$10 million	1.5%
\$10 million to \$20 million	1.25%
Assets over \$20 million	1.125%

ISI Inc., in its discretion, may negotiate the foregoing fees for either Program in appropriate circumstances.

### **EMPLOYEE ACCOUNTS**

<u>Portfolio Size</u>	<u>Annual Fee as a % of Assets</u>
Less than \$1million	1.0% (\$20 min. ticket charge)
Assets over \$1 million	0.5% + Commissions (\$20 min. ticket charge)

In some cases the Adviser may receive a fee for advisory services not involving supervisory services. For this advice, which may include periodic research reports, the Adviser may receive an advisory fee negotiated quarterly in advance of such quarter with each client based on the size and scope of the relationship.



# Types of Clients

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## Description

ISI Inc. provides investment advisory services to: individuals; banks or thrift institutions; investment companies; pension and profit-sharing plans; trusts, estates, or charitable organizations; corporations or business entities; and off-shore mutual funds and off-shore trusts with off-shore investors.

## Account Minimums

Generally, ISI Inc. has established a minimum account size of \$10,000,000 for its investment supervisory or other investment management services; however, clients of ISI Inc.'s Account Management division may have a lower minimum account size. Exceptions may be made for specific reasons, such as when an account's projected cash flow indicates that it is expected to reach the minimum account size relatively quickly or when waiving such minimum account size requirements would otherwise be deemed in the best interests of the client as determined by ISI Inc.

# Methods of Analysis, Investment Strategies and Risk of Loss

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## Methods of Analysis and Investment Strategies

ISI Inc. is a registered investment advisor and is organized as Funds Management (FM) and Account Management (AM).

Investing in securities involves the risk of loss that clients should be prepared to bear.

Methods of analysis include charting, fundamental, technical, and cyclical. The risks involved with each method are as follows.

**Charting Analysis:** Risks include discontinuities in the data, erroneous price data, unadjusted price files, and price files that may include prices for the current security as well as a prior security which formerly made use of the same ticker. Adjusted views of the periodicity of the data and the scale viewed may additionally result in divergent pictures that failure to appreciate may result in erroneous conclusions. Uncorrected errors together with cognitive error may result in misapprehension or misinterpretation of the data and misappraisal of risks on the basis of analysis of trading in the security. Further, price and volume histories reflect historic markets

which may not be indicative of trading conditions congruent with those likely to dominate future trading in the security.

**Fundamental Analysis:** Publicly released financial data on which fundamental analysis is based may no longer serve as the basis on which future trading proceeds either because non-financial data is judged of greater importance or because the next anticipated release is expected to dominate. Changes of trends in fundamental data and complete lack of trends in data may indeed be more normative than the continuance of trends. In addition, analyst estimates for future financial data are notoriously managed and entail risks in missed estimations.

**Technical Analysis:** Technical measures of price and volume trading rules used as relative measures and rules of thumb provide some additional measures for comparing different securities, industries and markets, but may equally suffer from overly rigid interpretation, over-broad allowances, or setting a comparison out-of-synch or out-of-context.

**Cyclical Analysis:** Seeks to adjust data for calendar and cycle effects and may in turn misestimate the error correction applied. Allowed tolerances may result in missed signals.

The sources of information used when selecting and analyzing securities include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, annual reports, prospectuses, filings with the SEC, and company press releases. Additionally, the Firm's analysts participate in issuer sponsored conference calls, and place calls to, and directly communicate with, appropriate members of an issuer's management team and investor relations department. They will also speak with representatives of broker-dealers, their trading desks, research departments and industry experts regarding particular companies and investment opportunities.

Investments include long term purchase (securities held at least a year) and short term purchases (securities sold within a year).

ETF: For equity only account, ISI Inc. may from time to time purchase Exchange Traded Funds (ETF's). These ETFs may be used as a proxy for the Portfolio's index, the S&P500 (SPY), industrial commodities like gold (GLD), or ETFs used tactically to include high grade fixed income securities (LQD). In each case, the total amount of ETFs purchased will not exceed the maximum permitted cash allocation through a complete investment cycle, or 20% of the portfolio.

For balanced accounts, ISI Inc. may include highly liquid ETFs as a part of the permanent strategy of the fixed income and cash portion of the account. For smaller accounts, where buying or selling individual bond odd-lots may be impractical, ETFs of fixed income securities may represent all or part of the fixed income portion of the account.

## Risk of Loss

### *Asset allocation risk*

The allocations to the various asset classes and market sectors could cause the fund to underperform other strategies with a similar investment objective.

### *Risks of stock investing*

Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. There is the chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The value of a stock in which a fund invests may decline due to general weakness in the stock market or because of factors that affect a company or a particular industry.

### *Risks of bond investing*

Bonds have two main sources of risk. *Interest rate risk* is the risk that a rise in interest rates will cause the price of a debt security held by the fund to fall. Securities with longer maturities typically suffer greater declines than those with shorter maturities. Mortgage-backed securities can react somewhat differently to interest rate changes because falling rates can cause losses of principal due to increased mortgage prepayments and rising rates can lead to decreased prepayments and greater volatility. *Credit risk* is the risk that an issuer of a debt security will default (fail to make scheduled interest or principal payments), potentially reducing income distributions and market values. This risk is increased when a security is downgraded or the perceived creditworthiness of the issuer deteriorates.

### *Foreign investing risk*

This is the risk that the fund's investments in foreign securities may be adversely affected by political and economic conditions overseas, reduced liquidity, or decreases in foreign currency values relative to the U.S. dollar.

## Disciplinary Information

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ISI Inc. and our employees have not been involved in any legal or disciplinary events that would be material to a client's evaluation of the company or our personnel.

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# Other Financial Industry Activities and Affiliations

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## Broker-dealer or Registered Representative

One of ISI Inc.'s principal executive officers is also a principal executive officer of a registered broker/dealer affiliated with ISI Inc.

ISI Inc., a registered investment adviser, and International Strategy & Investment Group LLC ("ISI Group LLC"), a registered broker/dealer, are affiliated companies. They share common ownership and office space, and some expenses are allocated between the companies. Edward S. Hyman and Nancy R. Lazar, 100% owners of ISI Group LLC's stock, are also the owners of 55% of ISI Inc.'s stock.

Edward S. Hyman Jr., an Officer, Director and Stockholder, is also an Officer, Director, Stockholder and Principal of ISI Group LLC.

Robert Alan Medaugh, an Officer, Director and Stockholder, is also a Director of ISI Group LLC.

Nancy Rosalie Lazar, a Stockholder, is also a Stockholder of ISI Group LLC.

Anthony John Rose, the Chief Compliance Officer and Chief Financial Officer, is also a Senior Managing Director of ISI Group LLC.

When clients have elected the fee plus commission advisory fee option as a part of ISI Inc.'s Account Management business, ISI Group LLC will act as introducing broker of these clients to a clearing broker under a fully disclosed clearing arrangement. ISI Inc. employees who are also registered representatives of ISI Group LLC will be paid commissions by ISI Group LLC for transactions entered on behalf of such clients by ISI Inc. employees and executed through the clearing broker's automated trade executions system. Where ISI Inc. has the discretion to choose brokers, we intend to only effect transactions through brokers who offer best execution and provide other services like research. See Item 12 Brokerage Practices.

The following is a listing of investment companies that are advised by ISI Inc. and State Street Bank and Trust is the custodian:

- (1) Total Return U.S. Treasury Funds, Inc.
- (2) Managed Municipal Fund, Inc.
- (3) North American Government Bond Fund, Inc.
- (4) ISI Strategy Fund, Inc.

## **INFORMATIONAL BARRIER BETWEEN RESEARCH AND ADVISORY ACTIVITIES**

ISI Inc. has established an “Informational Barrier” to separate its advisory activities from the research activities of ISI Group LLC a registered Broker-Dealer affiliate of the Firm. Generally, this policy prohibits any person conducting or with access to ISI Group LLC’s research from communicating any material non-public information to any person at ISI Inc. before such research has been made publicly available.

Material, nonpublic information regarding an issuer obtained by any person at ISI Group LLC, may not be disseminated to any employee of ISI Inc., or any other person outside the Firm, without the prior approval, on a case by case basis of the CCO. Employees of ISI Inc. and ISI Group LLC should clearly identify themselves, both to each other and to relevant third parties, to prevent the inadvertent disclosure of material information. No ISI Inc. personnel has access to ISI Group LLC’s research files. These research files are segregated from ISI Group LLC’s general files. All personnel must remain aware of the legal restrictions on the use and dissemination of material, non-public information, as described in the relevant sections of ISI Inc.’s Code of Ethics.

ISI Group LLC is located on the 11<sup>th</sup> floor of the building where ISI Inc. is located on the 10<sup>th</sup> floor.

ISI Group LLC has cameras installed on the fundamental research side of our offices on the 11th floor to create a physical separation among the Firm’s research (which may receive material, non-public information), sales, and trading departments, in lieu of using keycards and/or other security measures to restrict access to offices, files, and computers. The review and documentation of these tapes will be conducted on a periodic basis.

## **Commodity Pool Operator, Commodity Trading Adviser or Associated Person**

ISI Inc. Fund Management is also actively engaged in business as a commodity pool operator, or commodity trading adviser. ISI Inc. acts in this capacity only to off-shore clients and/or funds.

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

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## Code of Ethics

The ISI Inc. Code of Ethics is designed to reinforce fiduciary principles governing the conduct of ISI Inc. and our personnel to protect the public interest as well as the interests of ISI Inc. and our clients. The Code requires that all personnel perform their duties with complete propriety and must avoid activities, interests and relationships that might interfere or appear to interfere with making decisions in the best interests of our advisory clients. A complete copy of ISI Inc.'s Code of Ethics is available to our clients or prospective clients upon request.

ISI Inc. has a series of procedures established to address potential conflicts of interest. ISI Inc.'s personnel and personnel-related accounts (e.g., accounts of spouses, children and corporate accounts controlled by employees) are subject to preclearance of their securities transactions and, in certain instances, mandatory black-out periods, and holding periods. Employees and employee-related accounts are restricted from purchasing calls or puts on securities recommend by ISI Inc.

Class I shares of the Managed Municipal Fund, Inc. and North American Government Bond Fund, Inc. are offered primarily to institutions, such as pension and profit sharing plans, employee benefit trusts, endowments, foundations, and corporations. Class I shares also may be offered through certain broker-dealers and financial institutions that have entered into appropriate arrangements with the Funds. These arrangements are generally limited to plans or wrap products offered by broker-dealers and financial institutions. Shareholders participating in these programs may be charged fees by their broker-dealers or financial institution.

Present or former officers, directors, and employees (and their eligible family members) of the Funds, the Advisor, its affiliates and retirement plans established for the benefit of such individuals, are also permitted to purchase Class I shares of the Funds.

Investment personnel for ISI Inc.'s clients that are registered under the Investment Company Act of 1940 are subject to additional restrictions which include a ban on acquiring any securities of an initial public offering, a prohibition on profiting on short-term trading in securities and special preclearance of the acquisition of securities in private placements. Furthermore, Access Persons (as defined below) are subject to "blackout periods" that prohibit trading within periods of trading by such investment company clients in the same security.

“Access Person” means: Every director or officer of ISI; Every “Advisory Person” of the Funds, the Advisory Accounts or of ISI. An “Advisory Person” is: any employee of the Funds or ISI (or any company in a Control relationship to the Funds or ISI) who, in connection with his or her regular functions or duties, makes, participates in, or obtains information regarding the Purchase or Sale of a Security by the Funds or Advisory Accounts, or whose functions relate to the making of any recommendations with respect to such Purchases or Sales; and any natural person in a Control relationship to ISI who obtains information concerning recommendations made to the Funds or Advisory Accounts with regard to the Purchase or Sale of a Security by the any of the Funds or Advisory Accounts.

In some instances, ISI Inc. may purchase for its account management clients iShares of ISI Inc.’s own mutual fund family. These iShares may be bought in both fee or commission based accounts. ISI Inc.’s employees who are acting as investment advisors to the managed account do not receive additional compensation by ISI Inc. for purchasing investments in such funds managed by ISI Inc..

The Portfolio Managers are not managing or advising the funds. They determine suitability based on the type of investment and expense ratio of the fund.

## Brokerage Practices

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### Selecting Brokerage Firms

Each client is given the option of selecting a custodian, which will include the designation of a specific broker for that client. For clients that do not have existing custodial relationships, ISI Inc. will recommend JP Morgan, which will provide clearing, custody, and execution services, for our “in-house” (as defined below) clients.

“In-house” clients are clients that have elected the fee plus commission advisory fee or single fee option, ISI Group LLC will act as introducing broker of these clients to JP Morgan under a fully disclosed clearing arrangement. ISI Inc. employees who are also registered representatives of ISI Group LLC may be paid commissions by ISI Group LLC for transactions entered on behalf of such clients by ISI Inc. employees and executed through JP Morgan’s automated trade execution system.

Clients who select their own custodian may direct that their transactions be effected through a particular broker or dealer affiliated with the custodian or may direct ISI Inc. to execute trades through a particular broker. The client who directs ISI Inc. to use a specific broker may pay higher commission rates or receive less favorable execution on some transactions than those clients for whom ISI Inc. selects brokerage services. In instances where the client directs ISI Inc. to use a specific broker, the commission rate will be negotiated by the client or by ISI Inc. depending upon instructions from the client.

Where ISI Inc. has been authorized to determine brokers through whom orders will be executed, a number of factors are considered. These include: execution capability, nature and frequency of sales coverage, depth of services provided, including back office and processing capabilities, financial stability and responsibility, reputation, commission rate, responsiveness to ISI Inc. and the value of fundamental research services (“Research”) provided by such brokers. Selecting a broker based on these factors may result in a brokerage commission in excess of that which

another broker might have charged for effecting the same transaction. ISI Inc. regularly evaluates these factors in its ongoing selections of brokers. In selecting some brokers or dealers to execute transactions, ISI Inc. may consider the value of Research in addition to the factors above.

ISI Inc.'s non-discretionary commission only accounts do not use the same strategies as the discretionary accounts whose commission dollars pay for research.

In exchange for the direction of commission dollars to certain brokers, ISI Inc. may generate credits which may be used to pay for Research provided by such brokers. To the extent ISI Inc. generates such credits, it will be receiving a benefit by reason of the direction of such commissions, because ISI Inc. does not have to produce or pay for the Research. ISI Inc. has an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving most favorable execution.

Clients will be dealt with on a fair and equitable basis by having purchase transactions allocated based on the cash available in each portfolio at the time of settlement. Block trades are organized by executing broker or custodian. On block trades, ISI Inc. keeps a record of the execution process and rotates the order of execution after each block trade. Trade executions are staggered in order to avoid competing orders for best execution. The order of trades for each executing broker is changed each time. A log is kept by the trader of the order of executions for each trade. Shares are generally allocated on an average price basis across accounts at a given custodian. Partial executions are fully executed the next day; Partial executions are allocated on a pro-rata basis across all accounts on a particular day.

### Aggregation

The aggregation or blocking of client transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges to clients.

Our firm's policy is to aggregate client transactions where possible and when advantageous to clients. In these instances clients participating in any aggregated transactions will receive an average share price and transaction costs will be shared equally and on a pro-rata basis.

In the case of the ISI Funds, aggregated transactions with the same settlement date are typically done at one price.

### Allocation

As a matter of policy, ISI Inc.'s allocation procedures must be fair and equitable to all clients with no particular group or client(s) being favored or disfavored over any other clients. If possible, clients participating in any aggregated transactions will receive an average share price and transaction costs will be shared equally and on a pro-rata basis.



## IPOs

ISI Inc. as a matter of policy and practice does NOT participate or invest in any initial public offerings ("IPOs") which are offerings of securities that are frequently of limited size and limited availability.

ISI Inc.'s Mutual Fund Adviser does NOT participate or invest in any IPO's, in accordance with all Fund's prospectuses.

## Trade Errors

As a fiduciary, ISI Inc. has the responsibility to effect orders correctly, promptly and in the best interests of our clients. In the event any error occurs in the handling of any client transactions, due to ISI Inc.'s actions, or inaction, or actions of others, ISI Inc.'s policy is to seek to identify and correct any errors as promptly as possible without disadvantaging the client or benefiting ISI Inc. in any way.

If the error is the responsibility of ISI Inc., any client transaction will be corrected and ISI Inc. will be responsible for any client loss resulting from an inaccurate or erroneous order.

ISI Inc.'s policy and practice is to monitor and reconcile all trading activity, identify and resolve any trade errors promptly, document each trade error with appropriate supervisory approval and maintain a trade error file.

# Review of Accounts

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The day-to-day supervision of each account is the responsibility of the assigned account manager and responsible portfolio manager. On a monthly basis, the senior portfolio managers will review the performance of each account and implement portfolio strategy for the accounts according to each accounts' investment objectives.

Reviews may be conducted on a periodic basis and is undertaken due to a multitude of factors, including but not limited to: changes in market conditions, changes in securities positions, deposit or withdrawal of assets, changes in client investment objectives and communication with clients.

Account Management clients receive written letters regarding their accounts at least quarterly which includes a portfolio appraisal and account statements from the custodian on a monthly basis.

# Client Referrals and Other Compensation

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## Economic Benefits

In connection with ISI's in-house accounts introduced to JP Morgan, any proceeds from sales of securities or dividends and distributions in the client's securities account may be swept into third party money market funds. In accordance with industry practice, the Firm may receive volume rebates from these sweep money market funds at JP Morgan.

## Third Party Solicitors

ISI Inc. may pay referral fees to other registered investment advisers who refer clients to the firm for money management services ("Solicitors"). Compensation is individually negotiated with the Solicitors and the terms of a particular Solicitor's compensation are disclosed in a Solicitor's Disclosure Statement given to a so-introduced client. All such arrangements are in accordance w/ Rule 206(4)-3: cash payments for client solicitations.

# Custody

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As a matter of policy and practice, ISI Inc. does not permit employees or the firm to accept or maintain custody of client assets. It is our policy that we will not accept, hold, directly or indirectly, client funds or securities, or have any authority to obtain possession of them, including direct debiting of advisory fees. ISI Inc. will not intentionally take custody of client cash or securities. ISI Inc. has reasonable assurance that the custodian of each account is sending a statement to the client on at least a quarterly basis. If ISI Inc. inadvertently takes possession of client funds or securities, the Firm will return these assets to the sender within three business days. For those clients where fees are directly debited by JP Morgan from their accounts, they will receive account statements from that qualified custodian.

# Investment Discretion

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## Discretionary Authority for Trading

ISI Inc. usually receives discretionary authority from the client at the outset of an advisory relationship defined through the management contract.

For discretionary accounts, ISI Inc. determines the suitability and amount of securities to be bought or sold, as well as the timing of the transactions consistent with the investment objectives of each client, the selection of the broker-dealer with whom the trade is executed, and subject to any limitations established by the client. Advisory clients may also provide written investment policy statements or written investment guidelines frequently including limitations. Such limitations generally include not investing in certain securities, types of securities, or industry sectors. Senior portfolio managers review, approve, and monitor as part of the firm's investment services, these guidelines, subject to any written revisions or updates received from a client.

## Voting Client Securities

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### Proxy Voting

ISI Inc., as a matter of policy and as a fiduciary to our clients, has responsibility for voting proxies for portfolio securities consistent with the best economic interests of the clients. Our firm maintains written policies and procedures as to the handling, research, voting and reporting of proxy voting and makes appropriate disclosures about our firm's proxy policies and practices. Our policy and practice includes the responsibility to monitor corporate actions, receive and vote client proxies and disclose any potential conflicts of interest as well as making information available to clients about the voting of proxies for their portfolio securities and maintaining relevant and required records.

The Portfolio Managers of ISI Inc. have the responsibility for the implementation and monitoring of our proxy voting policy, practices, disclosures and record keeping, including outlining our voting guidelines in our procedures. For this purpose, ISI Inc. has contracted Broadridge Investor Communication Solutions, Inc. ("Broadridge"). See [Summary here](#).

### Summary of Proxy Voting Policy and Procedures

#### Introduction

We have adopted and implemented policies and procedures according to Broadridge Investor Communication Solutions, Inc. ("Broadridge") that we believe are reasonably designed to ensure that proxies are voted in the best interest of our clients, in accordance with our fiduciary duties and SEC Rule 206(4)-6 under the Investment Advisers Act of 1940. In addition to SEC requirements governing advisers, our proxy voting policies reflect the fiduciary responsibilities for ERISA accounts set out in Department of Labor Bulletin 94-2, 29 C.F.R. 2509.94-2 (July 29, 1994).

## Statement of Policies and Procedures

Our responsibility for voting client proxies is limited to those other clients who have given us authority to vote.

In regard to corporate governance issues, we vote on the basis of what we believe to be in the best interests of the shareholder. In that regard, we occasionally vote against management. In regard to issues of social responsibility (broadly defined) we vote with management on a case-by-case basis unless instructed differently by clients. If there is a situation where a conflict arises between ISI Inc. and our client, we default to Broadridge.

## Procedures

Custodian banks are directed by the clients to forward proxy materials directly to Broadridge. Each proxy ballot received is matched to the securities to be voted, and a reconciliation proxy is established to account for all ballots held by ISI. We subscribe to a service from Broadridge, "ProxyEdge," which alerts us to upcoming annual meetings, and provides research account information along with real-time record keeping and reporting on issues that will be presented, together with a voting recommendation. A "Voting Record" is updated by Broadridge as ballots are received. "Proxy Reports" are prepared for the appropriate account, and any exceptions to voting against the recommendation of Broadridge are noted and retained. All ballots are voted electronically by Broadridge upon approval from ISI.

## Record Keeping

As required by Rule 204-2(c), Broadridge will maintain:

- a copy of these policies and procedures;
- proxy statements received regarding client securities;
- a record of each vote cast;
- a copy of any document created by us that was material to making a decision how to vote proxies on behalf of a client or that memorializes the basis for that decision; and
- each written request for proxy voting records and our written response to any (written or oral) client request for such records.

All proxy-voting records are maintained electronically for a period of five years and beyond. This information is accessible upon request.

Clients may request a copy of the 43-page policies and procedures, which may be updated from time to time, or for information on how proxies for their accounts were voted, by contacting:

Loretta Price, ISI Inc. 666 Fifth Ave., 10th Floor, New York, NY 10103; (212) 888-6197;  
[lprice@isimgt.com](mailto:lprice@isimgt.com)

# Financial Information

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ISI Inc. has not been the subject of any bankruptcy petition and is not aware of any financial condition that is reasonably likely to impair our ability to meet our contractual commitment to our clients.