

# Natixis Asset Management U.S., LLC

399 Boylston Street  
Boston, MA 02116  
(617) 449-2100

Part 2A of Form ADV: Firm Brochure  
October 1, 2014

**This brochure provides information about the qualifications and business practices of Natixis Asset Management U.S., LLC. If you have any questions about the contents of this brochure, please contact us at (212) 632-2800. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about Natixis Asset Management U.S., LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). An investment adviser’s registration with the SEC does not imply a certain level of skill or training.**

**Item 2. Material Changes**

Item 2 is not currently applicable to Natixis Asset Management U.S., LLC.

### **Item 3. Table of Contents**

<u>Item Number</u>	<u>Item</u>	<u>Page</u>
1	Cover Page	1
2	Material Changes	2
3	Table of Contents	3
4	Advisory Business	4
5	Fees and Compensation	5
6	Performance-Based Fees and Side-By-Side Management	6
7	Types of Clients	6
8	Methods of Analysis, Investment Strategies and Risk of Loss	6
9	Disciplinary Information	12
10	Other Financial Industry Activities and Affiliations	12
11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	14
12	Brokerage Practices	24
13	Review of Accounts	28
14	Client Referrals and Other Compensation	28
15	Custody	28
16	Investment Discretion	29
17	Voting Client Securities	29
18	Financial Information	30
19	Requirements for State-Registered Advisers	30

#### **Item 4. Advisory Business**

Natixis Asset Management U.S., LLC (“NAM US” or the “Adviser”), a Delaware limited liability company, is a Boston-based investment management firm established in 2014 that began providing investment advisory services to clients on July 23, 2014.

NAM US is a direct subsidiary of Natixis Asset Management SA (“NAM Paris”) and an indirect subsidiary of Natixis Global Asset Management SA (“NGAM”), an international asset management group based in Paris, France. NGAM owns, in addition to NAM US, a number of other asset management, distribution and financial service entities. NGAM is in turn owned by Natixis, a French investment banking and financial services firm. Natixis is principally owned by BPCE, France’s second largest banking group. BPCE is owned by banks comprising two autonomous and complementary retail banking networks consisting of the Caisse d’Epargne regional savings banks and the Banque Populaire regional cooperative banks. Natixis and BPCE each owns, directly or indirectly, other investment advisers established in various jurisdictions.

NAM US specializes in globally diversified portfolio management. The Adviser strives to go beyond traditional investment management by extracting value from risk and turning market volatility into a source of diversification.

The Adviser provides its investment advisory services to Seeyond Multi-Asset Allocation Fund, a series of Natixis Funds Trust II (the “Initial Fund”), which is registered as an investment company under the Investment Company Act of 1940, as amended (the “1940 Act”). Investment decisions for the Initial Fund are implemented on a fully discretionary basis, subject to the restrictions contained in the Initial Fund’s Prospectus and Statement of Additional Information. The Adviser may enter into investment advisory arrangements with other clients, including pooled investment vehicles, other mutual funds and separate accounts. NAM US will determine whether and how to tailor advisory services to the individual needs of a client on a case-by-case basis.

The Adviser has entered into a personnel-sharing arrangement with its Paris-based affiliate, NAM Paris, which, like the Adviser, is part of NGAM. Pursuant to this arrangement, certain employees of NAM Paris serve as “associated persons” of the Adviser and, in this capacity, are subject to the oversight of the Adviser and its Chief Compliance Officer (“CCO”). These associated persons may, on behalf of the Adviser, participate in providing discretionary investment management services (including acting as portfolio managers), research and related services to clients of the Adviser, including the Initial Fund. Unlike the Adviser, NAM Paris is not registered as an investment adviser with the SEC. The personnel-sharing arrangement is based on no-action letters of the staff of the SEC that permit an SEC-registered investment adviser to rely on and use the resources of advisory affiliates, subject to the supervision of the SEC-registered investment adviser. Under these no-action letters, NAM Paris is considered a “participating affiliate” of the Adviser (the “Participating Affiliate”), and certain employees of NAM Paris are “associated persons” of the Adviser (the “Associated Persons”). In connection with its provision of services to the Adviser, the Participating Affiliate has appointed the Adviser as its agent for service of process within the jurisdiction of the United States.

As of September 30, 2014, the Adviser managed a total of \$49.0 million of client assets on a discretionary basis.

## **Item 5. Fees and Compensation**

As compensation for the investment advisory services rendered to the Initial Fund, the Adviser receives an advisory fee (the “Advisory Fee”) pursuant to an investment advisory agreement with the Initial Fund. The Advisory Fee is calculated based on a percentage of average daily net assets of the Initial Fund, and the details of the Advisory Fee are publicly available in the Initial Fund’s Prospectus and Statement of Additional Information.

The advisory fees payable to the Adviser may vary under investment advisory agreements with other clients. To the extent provided in a client’s investment advisory agreement, the Adviser may pay out of advisory fees certain operating expenses, including expenses on account of rent, utilities, office supplies, office equipment, travel, entertainment, compensation of its members, principals and employees and other routine administrative expenses relating to the services and facilities provided by the Adviser to the client. The client may bear certain other expenses relating to it, including without limitation legal, accounting, audit, brokerage, custody, transfer, registration, trustees’ fees, directors’ and officers’ insurance, interest, taxes and extraordinary expenses, and other similar fees and expenses, as well as any other fees or expenses incurred by the Adviser or the client that are not specifically set forth in the client’s investment advisory agreement as being paid by the Adviser. Expenses that would otherwise be payable by the Adviser may be reduced through the use of “soft” or commission dollars, as discussed in Item 12 below.

When a broker is used in connection with an investment by a client, the client will incur brokerage and other transaction costs. For additional information regarding brokerage practices, please see Item 12 below.

As discussed above under Item 4, the Adviser has entered into a personnel-sharing arrangement with NAM Paris under which the Associated Persons of the Adviser participate in providing discretionary investment management services, research and related services, on behalf of the Adviser, to clients of the Adviser, including the Initial Fund. Pursuant to this arrangement, the Adviser will compensate NAM Paris based on the value of the services provided by the Associated Persons, provided that such compensation will not be a function of the accumulated time, if any, spent by any such Associated Person in providing services to the Initial Fund on behalf of the Adviser, and that the Associated Persons will not be compensated by the Adviser, but by NAM Paris, their employer.

To the extent that the Adviser enters into investment advisory arrangements with other clients in the future, advisory fees and billing procedures may vary across client accounts and will be addressed in each client’s investment advisory agreement. Similarly, specific payment and repayment arrangements which may arise upon termination of a client’s investment advisory agreement will, if applicable, be addressed in the client’s investment advisory agreement, along with the specific terms defining which of the client’s expenses will be paid by the Adviser out of the advisory fee or by the client.

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

The Adviser currently does not accept a performance-based fee from the Initial Fund. However, the Adviser's parent company, NAM Paris, accepts performance-based fees from other clients and the Associate Persons at NAM Paris may manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee. For additional information regarding fees and compensation for investment advisory services, see Item 5 above.

## **Item 7. Types of Clients**

The Adviser provides investment advisory services to the Initial Fund exclusively at this time. Investment advice is provided directly to the Initial Fund and not individually to investors in the Initial Fund.

Interests in the Initial Fund are publicly available and are registered under the Securities Act of 1933, as amended. Investment minimums for investors in the Initial Fund are set forth in the Initial Fund's Prospectus and Statement of Additional Information. The Adviser intends to provide investment advisory services to other clients in the future, which could include pooled investment vehicles, other mutual funds and separate accounts.

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

### Methods of Analysis and Investment Strategies

The Adviser may use the following methods and strategies in formulating investment decisions and recommendations for the Initial Fund:

The Adviser seeks long-term growth of capital by investing in a range of securities and asset classes across global markets. The Adviser will typically seek exposure to a combination of four asset classes: equity, fixed income, currency and volatility. In seeking exposure to these asset classes, the Adviser expects that it will use, among other instruments, a variety of listed and other liquid derivative instruments. The Initial Fund's equity exposure typically will be obtained through investments in broad, equity index listed futures and exchange-traded funds ("ETFs"). The Initial Fund's fixed income exposure may consist of, but is not limited to, U.S. and non-U.S. government bonds, listed bond futures and fixed income ETFs. The Initial Fund's currency exposure typically will be obtained through investments in non-dollar denominated investments, futures and forward foreign currency contracts. The Initial Fund's exposure to volatility assets will result from both "long" and "short" positions in index futures and options, such as futures contracts based on the Chicago Board Options Exchange Volatility Index (the "VIX"), listed equity index options and equity index futures. The Adviser may take both long and short exposures to these asset classes. A "short" exposure will benefit when the underlying asset class decreases in price. A "long" exposure will benefit when the underlying asset class increases in price. For cash management purposes, the Adviser may also invest in short-term money market instruments including, but not limited to, U.S. and non-U.S. treasury bills, certificates of deposit

and commercial paper. These markets include, but are not limited to, Europe, the U.S., Asia and emerging markets.

The Adviser believes that a diversified asset allocation strategy can benefit from an explicit allocation to volatility as an asset class. This approach can offer several benefits over a traditional asset allocation portfolio, as volatility tends to have its own unique return and risk characteristics. The Adviser's research suggests that implied volatility exposure can be a complement to equity and fixed income investments because it has the potential either to provide a diversified source of return or to mitigate risk. Implied volatility refers to the estimated volatility of a security's price derived from option pricing. In particular, increasing equity market volatility has typically been associated with periods of market and macroeconomic uncertainty. As such, long exposure to equity volatility during those periods can offer an attractive risk-reward profile compared to other asset classes. For example, the Adviser may buy VIX futures contracts or purchase index put options when volatility is low or expected to rise, thus offering a potential hedge against an equity market downturn. Conversely, when equity market volatility is high or expected to decline, "selling" volatility may provide a diversified source of return, which can be uncorrelated with fixed income investments. For example, the Adviser may sell VIX futures contracts or sell index put options when volatility is high or expected to decline in an effort to earn a premium.

The Adviser's investment process relies on various proprietary indicators in addition to the experience and judgment of the portfolio management team when determining asset allocation. The strategy's fundamental indicators integrate macroeconomic characteristics (such as growth and inflation) and microeconomic characteristics (such as earnings and valuations), along with momentum indicators, which rely on, for example, moving averages to identify structural market trends with a view towards replicating the behavior of a rational investor. In addition, the portfolio management team takes into account independent research and analysis (on topics such as news flow, central bank policy, and market flows) to identify short-term opportunities, to identify scenarios that might not yet be reflected within the quantitative indicators and to adapt the portfolio to unexpected events. The Adviser seeks to identify and to exploit market trends over time, thereby generating value through asset allocation, rather than through individual security selection. The Adviser utilizes quantitative indicators that assess the movement, level and cost of investing in volatility, in addition to the qualitative judgment and experience of the portfolio management team.

The Adviser's portfolio construction begins with the goal of allocating risk efficiently. The Initial Fund's exposures are defined individually, by each market, with a view towards constructing positions independently from one another. The Adviser uses risk budgeting techniques, involving an assessment of risk for each individual market, in order to gauge the overall portfolio risk and manage position sizes versus a blended benchmark of 60% global stocks and 40% global bonds. The Adviser will maintain flexibility in allocating capital across different asset classes and will rely heavily on derivatives to implement its strategies. The gross notional value of the Initial Fund's derivative investments may significantly exceed the total value of the Initial Fund's assets.

The Initial Fund is non-diversified, which means that it may invest a greater percentage of its assets in a particular issuer and may invest in fewer issuers than a diversified fund. Because the Initial Fund may invest in the securities of a limited number of issuers, an investment in the Initial Fund may involve a higher degree of risk than would be present in a diversified fund.

The Adviser may engage in active and frequent trading of securities and other instruments. Effects of frequent trading may include high transaction costs, which may lower the Initial Fund's return, and realization of greater short-term capital gains, distributions of which are taxable as ordinary income to taxable shareholders. Trading costs and tax effects associated with frequent trading may adversely affect the Initial Fund's performance. The Adviser's trading in derivatives is active and frequent, which, like active and frequent trading of securities, will result in transaction costs that reduce the Initial Fund's returns.

With respect to other clients that may engage NAM US as an investment adviser in the future, NAM US will determine other methods and strategies in formulating investment decisions and recommendations to such clients on a case by case basis.

### Principal Risks

The material risks associated with the Adviser's investment strategies are set forth below:

*Agency Securities Risk:* Agency securities are subject to fixed-income securities risk. Certain debt securities issued or guaranteed by agencies of the U.S. government are guaranteed as to the payment of principal and interest by the relevant entity but have not been backed by the full faith and credit of the U.S. government. Instead, they have been supported only by the discretionary authority of the U.S. government to purchase the agency's obligations. An event affecting the guaranteeing entity could adversely affect the payment of principal or interest or both on the security and, therefore, these types of securities should be considered to be riskier than U.S. government securities.

*Allocation and Correlation Risk:* This is the risk that the Adviser's judgments about, and allocations between, asset classes and market exposures may adversely affect the portfolio's performance. This risk can be increased by the use of derivatives to increase allocations to various market exposures. This is because derivatives can create investment leverage, which will magnify the impact to the portfolio of its investment in any underperforming market exposure.

*Below Investment Grade Fixed-Income Securities Risk:* The Adviser's investments in below investment grade fixed-income securities, also known as "junk bonds," may be subject to greater risks than other fixed-income securities, including being subject to greater levels of interest rate risk, credit risk (including a greater risk of default) and liquidity risk. The ability of the issuer to make principal and interest payments is predominantly speculative for below investment grade fixed-income securities.

*Credit/Counterparty Risk:* Credit risk is the risk that the issuer or the guarantor of a fixed-income security, or the counterparty to a derivatives or other transaction, will be unable or unwilling to make timely payments of interest or principal or to otherwise honor its obligations. A portfolio



will be subject to credit risks with respect to the counterparties of such transactions. Many of the protections afforded to participants on organized exchanges, such as the performance guarantee of an exchange clearinghouse, are not available in connection with over-the-counter (“OTC”) derivatives transactions, such as foreign currency transactions. As a result, when the Adviser enters into OTC derivative transactions on behalf of the portfolio, such as foreign currency transactions, the portfolio will be subject to the risk that its direct counterparties will not perform their obligations under the transactions and that the portfolio will sustain losses or be unable to realize gains. Additionally, when the Adviser enters into cleared derivatives transactions, the portfolio will be subject to the credit risk of the clearinghouse and clearing member through which it holds its cleared position, rather than the credit risk of its original counterparty to the derivatives transaction.

*Currency Risk:* Fluctuations in the exchange rates between different currencies may negatively affect an investment. A portfolio may be subject to currency risk because the Adviser may invest a significant portion of the portfolio’s assets in currency-related instruments and may invest in securities or other instruments denominated in, or receive revenues in, foreign currencies. The Adviser may elect not to hedge currency risk, or may hedge such risk imperfectly, which may cause a portfolio to incur losses that would not have been incurred had the risk been hedged.

*Derivatives Risk:* Derivative instruments (such as those in which the Adviser may invest, including futures, forward contracts, foreign currency transactions and options) can be used to acquire or to transfer the risk and returns of a security or other asset without buying or selling the security or asset. Derivatives are subject to changes in the value of the underlying assets or indices on which such transactions are based. There is no guarantee that the use of derivatives will be effective or that suitable transactions will be available. Even a small investment in derivatives may give rise to leverage risk and can have a significant impact on the portfolio’s exposure to securities markets values, interest rates or currency exchange rates. It is possible that the portfolio’s liquid assets may be insufficient to support its obligations under its derivatives positions. The use of derivatives for other than hedging purposes may be considered a speculative activity, and involves greater risks than are involved in hedging. The use of derivatives may cause the portfolio to incur losses greater than those that would have occurred had derivatives not been used. The Adviser’s use of derivatives, such as futures, forward contracts, foreign currency transactions and options, involves other risks, such as the risk of difficulties in pricing and valuation, the risk that changes in the value of a derivative may not correlate as expected with changes in the value of relevant assets, rates or indices, liquidity risk, allocation risk, credit risk and the risk of losing more than the initial margin required to initiate derivatives positions. There is also the risk that the Adviser may be unable to terminate or sell a derivatives position at an advantageous time or price. The portfolio’s derivative counterparties may experience financial difficulties or otherwise be unwilling or unable to honor their obligations, possibly resulting in losses to the portfolio.

*Emerging Markets Risk:* In addition to the risks of investing in foreign investments generally, emerging markets investments are subject to greater risks arising from political or economic instability, nationalization or confiscatory taxation, currency exchange restrictions, sanctions by the U.S. government and an issuer’s unwillingness or inability to make principal or interest

payments on its obligations. Emerging markets companies may be smaller and have shorter operating histories than companies in developed markets.

*Equity Securities Risk:* The value of the portfolio's investments in equity securities could be subject to unpredictable declines in the value of individual securities and periods of below-average performance in individual securities or in the equity market as a whole. In the event an issuer is liquidated or declares bankruptcy, the claims of owners of the issuer's bonds generally take precedence over the claims of those who own preferred stock or common stock.

*Fixed-Income Securities Risk:* Fixed-income securities are subject to credit risk, interest rate risk and liquidity risk. The portfolio may lose money on an investment in fixed-income securities due to unpredictable drops in a security's value or periods of below-average performance in a given security or in the securities market as a whole. Zero-coupon bonds may be subject to these risks to a greater extent than other fixed-income securities. Rule 144A securities may be more illiquid than other fixed-income securities. In addition, an economic downturn or period of rising interest rates could adversely affect the market of these securities and reduce the Adviser's ability to sell them.

*Foreign Securities Risk:* Investments in foreign securities may be subject to greater political, economic, environmental, credit and information risks. The portfolio's investments in foreign securities also are subject to foreign currency fluctuations and other foreign currency-related risks. Foreign securities may be subject to higher volatility than U.S. securities, varying degrees of regulation and limited liquidity.

*Inflation/Deflation Risk:* Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the present value of future payments. Deflation risk is the risk that prices throughout the economy decline over time (the opposite of inflation). Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of the portfolio. Because the Adviser seeks positive returns that exceed the rate of inflation over time, if the portfolio managers' inflation forecasts are incorrect, the portfolio may be more severely impacted than other portfolios.

*Interest Rate Risk:* Interest rate risk is the risk that the value of the portfolio's investments will fall if interest rates rise. Generally, the value of fixed-income securities rises when prevailing interest rates fall and falls when interest rates rise. Interest rate risk generally is greater for portfolios that invest in fixed-income securities with relatively longer durations than for portfolios that invest in fixed-income securities with shorter durations. The value of zero-coupon and pay-in-kind ("PIK") bonds may be more sensitive to fluctuations in interest rates than other fixed-income securities. In addition, an economic downturn or period of rising interest rates could adversely affect the market of these securities and reduce the Adviser's ability to sell them. A period of rising interest rates could negatively impact the performance of the portfolio.

*Investments in Other Investment Companies Risk:* The portfolio will indirectly bear the management, service and other fees of any other investment companies in which it invests in addition to its own expenses. In addition, investments in ETFs have unique characteristics,

including, but not limited to, the expense structure and additional expenses associated with investing in ETFs.

*Issuer Risk:* The value of the portfolio's investments may decline for a number of reasons that directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods and services.

*Large Investor Risk:* Ownership of shares of a pooled investment vehicle, such as the Initial Fund, may be concentrated in one or a few large investors, especially during periods soon after the commencement of investment operations. Such investors may redeem shares in large quantities or on a frequent basis. Redemptions by a large investor can affect the performance of the Initial Fund, may increase realized capital gains, may accelerate the realization of taxable income to shareholders and may increase transaction costs. These transactions potentially limit the use of any capital loss carryforwards and certain other losses to offset future realized capital gains (if any). Such transactions may also increase the Initial Fund's expenses.

*Leverage Risk:* Use of derivative instruments may involve leverage. Taking short positions in stocks also results in a form of leverage. Leverage is the risk associated with securities or practices that multiply small index, market or asset-price movements into larger changes in value. The use of leverage increases the impact of gains and losses on a strategy's returns, and may lead to significant losses if investments are not successful.

*Liquidity Risk:* Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing the Adviser from transacting in these illiquid investments at an advantageous price or time. A lack of liquidity also may cause the value of investments to decline. Illiquid investments also may be difficult to value.

*Management Risk:* A strategy used by the Adviser's portfolio managers may fail to produce the intended result.

*Market Risk:* The market value of a security or derivative will move up and down, sometimes rapidly and unpredictably, based upon a change in an issuer's financial condition, as well as overall market and economic conditions. The Adviser will attempt to reduce this risk by implementing various volatility management strategies and techniques. However, there is no guarantee that such strategies and techniques will produce the intended result.

*Non-Diversification Risk:* The Adviser may invest a greater percentage of the portfolio's assets in a particular issuer and may invest in fewer issuers. Therefore, the portfolio may have more risk because changes in the value of a single security or the impact of a single economic, political or regulatory occurrence may have a greater adverse impact on the portfolio's value.

*Short Exposure Risk:* A short exposure through a derivative may present various risks, including credit/counterparty risk and leverage risk. If the value of the asset, asset class or index on which the Adviser has obtained a short investment exposure increases, the portfolio will incur a loss. Unlike a direct cash investment such as a stock, bond or exchange-traded fund, where the potential loss is limited to the purchase price, the potential risk of loss from a short exposure is

theoretically unlimited. Moreover, there can be no assurance that securities necessary to cover a short position will be available for purchase.

*Tax Risk:* The Initial Fund expects to qualify as a regulated investment company under the Internal Revenue Code of 1986, as amended. In order to qualify as a regulated investment company, the Initial Fund must meet certain requirements regarding the source of its income, the diversification of its assets, and the distribution of its income. The tax treatment of certain derivative instruments for purposes of the qualification tests applicable to regulated investment companies is unclear and could be subject to an interpretation by the Internal Revenue Service bearing adversely on the Initial Fund's ability to qualify as a regulated investment company, or an adverse court decision. Therefore, the use of such derivative instruments could be limited or could impair the Initial Fund's ability to qualify as a regulated investment company.

*U.S. Government Securities Risk:* Investments in certain U.S. government securities may not be supported by the full faith and credit of the U.S. government. Accordingly, no assurance can be given that the U.S. government will provide financial support to U.S. government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. The maximum potential liability of the issuers of some U.S. government securities held by the portfolio may greatly exceed their current resources, and it is possible that these issuers will not have the funds to meet their payment obligations in the future. In such a case, the Adviser would have to look principally to the agency, instrumentality or sponsored enterprise issuing or guaranteeing the security for ultimate repayment, and the Adviser may not be able to assert a claim against the U.S. government itself in the event the agency, instrumentality or sponsored enterprise does not meet its commitment. Concerns about the capacity of the U.S. government to meet its obligations may raise the interest rates payable on its securities, negatively impacting the price of such securities already held by the portfolio.

*Valuation Risk:* This is the risk that the Adviser has valued certain instruments at a higher price than the price at which they can be sold. This risk may be especially pronounced for investments, such as derivatives, that may be illiquid or may become illiquid.

*Volatility Risk:* The success of the Adviser's volatility management strategy is subject to the Adviser's ability to forecast volatility in an accurate and timely manner. The Adviser's volatility forecasts may be incorrect, and the allocation changes made by the Adviser in response to volatility forecasts may not achieve the intended effect. Volatility management techniques may result in periods of underperformance, may limit the Adviser's ability to participate in rising markets and may increase transaction costs. The portfolio's performance may be lower than similar portfolios that do not use a volatility management strategy.

## **Item 9. Disciplinary Information**

NAM US has not been subject to any legal or disciplinary events since its formation.

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

NAM US is registered as a commodity trading advisor (“CTA”) and a commodity pool operator (“CPO”) and uses futures contracts in the management of the Initial Fund. Certain NAM US employees are registered as “principals” or “associated persons” of the CTA and CPO. In addition, NAM Paris, in its capacity as the parent company of NAM US, is registered as a “principal.”

As an indirect subsidiary of NGAM and Natixis, NAM US has numerous affiliated companies in the asset management, distribution, and financial services industry globally. NAM US operates its business independently of its affiliates. However, NAM US does have some relationships with affiliated companies that are material to its business:

- NAM US serves as investment adviser to the Initial Fund, a U.S. registered investment company that is sponsored and distributed by its affiliate, NGAM Distribution, L.P. NGAM Distribution, L.P., a NAM US affiliate, acts as principal underwriter, distributor and administrator for the Initial Fund.
- NAM US has entered into a personnel-sharing arrangement with its Paris-based affiliate, NAM Paris, which, like the Adviser, is part of NGAM. Pursuant to this arrangement, certain employees of NAM Paris serve as Associated Persons of NAM US and, in this capacity, are subject to the oversight of NAM US and its CCO. These Associated Persons may, on behalf of NAM US, participate in providing discretionary investment management services (including acting as portfolio managers), research and related risk management, internal control and compliance services to the Initial Fund. NAM Paris is a Participating Affiliate of the Adviser, and certain employees of NAM Paris are Associated Persons of the Adviser.
- NAM Paris, the parent company of the Adviser, or another affiliate, may provide seed capital to NAM US to incubate a new investment strategy or product. An affiliate of NAM Paris provided the initial seed capital for the Initial Fund. NAM US may also work with another affiliated company to jointly manage a new style or product.

Given that affiliated companies are equipped to provide a number of services and investment products to clients, subject to applicable law, clients of NAM US may engage an affiliated company to provide any number of such services, including advisory, custodial or banking services or may invest in the investment products provided or sponsored by one of its affiliates. These relationships could give rise to potential conflicts of interest or otherwise may have an adverse effect on NAM US’s clients. For example, when acting in a commercial capacity, related persons of NAM US may take commercial steps in their own interests, which may be adverse to those of NAM US’s clients.

Given the interrelationships among NAM US and its related persons and the changing nature of NAM US’s related persons’ businesses and affiliations, there may be other or different potential conflicts of interest that arise in the future or that are not covered by this discussion. For additional information regarding potential conflicts of interest arising from NAM US’s relationships and activities with its related persons, see Item 11 below.

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

### Code of Ethics

The Adviser recognizes and believes that (i) high ethical standards are essential for its success and to maintain the confidence of its clients; (ii) its long-term business interests are best served by adherence to the principle that the interests of its clients come first; and (iii) it has a fiduciary duty to its clients to act solely for their benefit. All personnel of the Adviser must put the interests of the Adviser's clients before their own personal interests and must act honestly and fairly in all respects in dealings with the clients. All personnel of the Adviser must also comply with all federal securities laws.

In recognition of the foregoing, the Adviser has adopted a written Code of Ethics that is designed to comply with Rule 204A-1 under the Advisers Act and Rule 17j-1 under the 1940 Act. The Code of Ethics establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance, recordkeeping and reporting obligations. Officers and employees of the Adviser, and their families and households, may purchase investments for their own accounts, including the same investments as may be purchased or sold for the Initial Fund, subject to the terms of the Code of Ethics. Under the Code of Ethics, officers and employees of the Adviser are required to file certain periodic reports with the Adviser's CCO as required by Rule 204A-1 under the Advisers Act and Rule 17j-1 under the 1940 Act. The Code of Ethics will help the Adviser detect and prevent potential conflicts of interest.

The Associated Persons employed by the Participating Affiliate are subject to a part of the Code of Ethics that is substantially similar to the part of the Code of Ethics to which the Adviser's officers and employees are subject. The CCO monitors the administration of the Code of Ethics and training to the Adviser's officers and employees. Compliance personnel based in Paris monitor the administration of the Code of Ethics and the training to the Associated Persons employed by the Participating Affiliate, in accordance with the requirements of French law. At least annually, the CCO reviews the Code of Ethics and confirms that the two parts mentioned above continue to be equivalent.

### *Pre-Clearance of Certain Personal Securities Transactions*

The Adviser's officers and employees are required to obtain approval from the CCO, and the Associated Persons employed by the Participating Affiliate are required to obtain approval from the applicable Paris-based compliance personnel, before they acquire beneficial ownership in any security in an initial public offering ("IPO"), or in a limited offering (i.e., a private placement or other type of sale limited to selected investors), in each case, whether in the U.S., France or elsewhere. The Adviser will seek to identify and prevent potential conflicts of interest in the acquisition by the Adviser's officers and employees and the Associated Persons employed by the Participating Affiliate (collectively, "Adviser Personnel") of other types of investments, including those that are in the universe of securities in which the Initial Fund and other clients may invest.

### *Ban on Short-Term Trading*

Adviser Personnel are prohibited from purchasing and then selling shares of the Initial Fund or any other client managed by NAM US, except shares of a money market fund, within 60 calendar days. For purposes of the preceding restriction, non-volitional trades (e.g., company retirement plan matching contributions) or automatic transactions (e.g., payroll deduction, deferred compensation, retirement plan contributions, systematic withdrawal plans) are not considered purchases or sales, as the case may be. However, this restriction does apply to exchanges and re-allocation of assets within a retirement or deferred compensation plan account.

### *Blackout Period*

Adviser Personnel are prohibited from purchasing or selling most types of securities (with certain limited exceptions) within a period of seven calendar days before and after the date that a client of the Adviser, with respect to which Adviser Personnel have the ability to influence investment decisions or have prior investment knowledge regarding associated client activity, has purchased or sold such securities or closely related securities.

### *Ban on Insider Trading*

Adviser Personnel are prohibited from trading while in possession of material, non-public information in violation of the U.S. federal securities laws. The Adviser has adopted written policies and procedures that prohibit Adviser Personnel from engaging in insider trading.

### *Reporting*

The Code of Ethics sets forth reporting requirements for Adviser Personnel, including quarterly reporting of securities transactions, annual reporting of all holdings and annual certifications that Adviser Personnel have read and understand the Code of Ethics and have reported all personal covered securities transactions.

Adviser Personnel who violate the Code of Ethics may be subject to remedial action, including, but not limited to, profit disgorgement, fines, censure, demotion, suspension or dismissal. Adviser Personnel are required to promptly report any violation of the Code of Ethics of which they become aware. The applicable Paris-based compliance personnel must also notify the CCO promptly in writing of any finding that an Associated Person employed by the Participating Affiliate has breached the Code of Ethics or, with respect to client accounts of the Adviser, any of the Adviser's applicable policies or procedures. Adviser Personnel are required to annually certify compliance with the Code of Ethics.

A copy of the Code of Ethics is available to any client or prospective client upon written request to the Adviser at the following address: 399 Boylston Street, Boston, MA 02116.

## Conflicts

The Adviser and its affiliates engage in a broad range of activities, including investment advisory services to the Initial Fund and other advisory clients. In the ordinary course of conducting the Adviser's activities, the interests of a client may conflict with the interests of the Adviser, other clients and/or the Adviser's affiliates and their clients.

The CCO is responsible for coordinating the identification of material conflicts of interest to which the Adviser is subject. In doing so, the CCO will use such tools that it deems appropriate, such as a review of the activities of the Adviser that might give rise to a conflict between the interests of the Adviser and its affiliates, on the one hand, and the interests of its clients, including the Initial Fund, on the other. Once such conflicts are identified, the CCO will oversee the consideration of appropriate disclosure and/or mitigation of the conflicts.

The material conflicts of interest which the Adviser anticipates could be encountered by the Initial Fund or other advisory clients include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by the Adviser and/or its clients. Other conflicts may be disclosed throughout this brochure and the brochure should be read in its entirety for other conflicts. To the extent the conflicts addressed in this brochure pertain to potential conflicts among the interests of different advisory clients, such conflicts will only arise if the Adviser, at some future date, begins providing services to other clients in addition to the Initial Fund.

### *Allocation of Investment Opportunities Among Clients*

In connection with its investment activities, the Adviser and its Participating Affiliate may encounter situations in which they must determine how to allocate investment opportunities among various clients and other persons, which may include, but are not limited to, the following:

- The Initial Fund or other advisory clients of the Adviser and its Participating Affiliate;
- Third Parties that wish to make direct investments (i.e., not through an investment vehicle) side-by-side with the Initial Fund in particular transactions entered into by the Initial Fund; and
- Third Parties acting as "co-sponsors" with the Adviser with respect to a particular transaction.

The Adviser has adopted written policies and procedures relating to the allocation of investment opportunities, and makes allocation determinations consistently therewith. These policies and procedures address, among other things, the potential conflicts of interest which may arise as the Associated Persons allocate investment opportunities among the Initial Fund and other clients of the Adviser and its Participating Affiliate.

In allocating investment opportunities to client accounts, the Adviser (and by extension the Participating Affiliate with respect to accounts managed by Adviser Personnel based in Paris)



first determines which of its clients will participate in such opportunity. The Adviser assesses whether an investment opportunity is appropriate for a particular client based on the client's investment objectives, strategies and risk tolerance. For example, the Initial Fund's investment objectives, strategies and principal risks are reflected in the Initial Fund's Prospectus and Statement of Additional Information. Prior to allocating any investment opportunity to a client account, the Adviser determines what additional factors may restrict or limit the offering of an investment opportunity to the client. Possible restrictions include, but are not limited to:

- *Obligation to Offer:* The Adviser may be required to offer an investment opportunity to one or more of its client accounts. This obligation may be set forth in the client's offering documents and/or operating agreement.
- *Related Investments:* The Adviser may offer an investment opportunity related to an investment previously made by a client to such account to the exclusion of, or resulting in a limited offering to, other clients.
- *Legal and Regulatory Exclusions:* The Adviser may determine that certain client accounts should be excluded from an allocation due to specific legal, regulatory and contractual restrictions placed on the participation of such persons in certain types of investment opportunities.

Once the clients that will participate in a particular investment have been identified, the Adviser, in its discretion, will decide how to allocate such investment opportunity among the identified clients. To the extent a particular investment is suitable for multiple client accounts of the Adviser (including accounts managed by Adviser Personnel who are employed by the Participating Affiliate), such investment will be allocated among such client accounts in a manner that is fair and equitable over time under the circumstances to all clients. In allocating such investment opportunity, the Adviser may consider some or all of a wide range of factors, which may include, but are not necessarily limited to, the following:

- Each client account's investment objectives and investment focus;
- Transaction sourcing;
- Each client account's liquidity and reserves;
- Each client's diversification (including, as applicable, diversification requirements imposed under the 1940 Act);
- Lender covenants and other limitations;
- Amount of capital available for investment by each client as well as each client's projected future capacity for investment;
- Each client account's targeted rate of return;
- Stage of development of the prospective credit-related asset or other investment vehicle;
- Composition of each client's portfolio;
- The availability of other suitable investments for each client;
- Risk considerations;

- Cash flow considerations;
- Asset class restrictions;
- Industry and other allocation targets;
- Minimum and maximum investment size requirements;
- The potential for de minimis allocations and/or odd lots;
- Tax implications;
- Legal, contractual or regulatory constraints; and
- Any other relevant limitations imposed by or conditions set forth in the applicable offering documents of each client.

The Adviser's exercise of its discretion in allocating investment opportunities with respect to a particular investment among clients in the manner discussed above may not, and the Adviser anticipates often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to other such persons. While the Adviser (including Adviser Personnel who are employed by the Participating Affiliate) will determine how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that a client's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which the Adviser may be subject, discussed herein, did not exist.

In exercising its discretion to allocate investment opportunities and fees and expenses, the Adviser may be faced with a variety of potential conflicts of interest. For example, in allocating an investment opportunity among clients with differing fee, expense and compensation structures, the Adviser may have an incentive to allocate investment opportunities to the clients from which the Adviser or its related persons may derive, directly or indirectly, a higher fee, compensation or other benefit. It is the Adviser's policy not to favor or disfavor, consistently or consciously, any client account or class of client accounts in relation to any other client accounts. Further, the Adviser will not allocate investment opportunities based, in whole or in part, on the relative fee structure or amount of fees paid by any client or the profitability of any client.

In addition, principal executive officers and other personnel of the Adviser may invest indirectly in and may be permitted to invest directly in clients and may therefore participate indirectly in investments made by the clients in which they invest. Such interests will vary among clients. The existence of these varying circumstances may present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a client.

#### *Material Non-Public Information*

The Adviser, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of clients. The

Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to ensure that the Adviser is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the client or using such information for the client's benefit. In such circumstances, the Adviser will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that the Adviser possesses such information), or not using such information for the client's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

### *Conflicts Related to Purchases and Sales*

Conflicts may arise when a client makes investments in conjunction with an investment being made by other clients or a client of one of the Adviser's affiliates (including the Participating Affiliate), or in a transaction where another client or a client of such an affiliate has already made an investment. Investment opportunities may be appropriate for the Adviser's clients and/or clients of the Adviser's affiliates at the same, different or overlapping levels of an issuer's capital structure. Conflicts may arise in determining the terms of investments, particularly where these clients may invest in different types of securities in a single issuer. Questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring may raise conflicts of interest. Certain clients of the Adviser and its affiliates (including the Participating Affiliate) may invest in bank debt and securities of companies in which other clients hold securities, including equity securities. In the event that such investments are made by a client, the interests of such client may be in conflict with the interests of such other client of the Adviser or client of one of the Adviser's affiliates, particularly in circumstances where the underlying company is facing financial distress. The involvement of such persons at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors. In certain circumstances, the Adviser's clients or clients of the Adviser's affiliates (including the Participating Affiliate) may be prohibited from exercising voting or other rights, and may be subject to claims by other creditors with respect to the subordination of their interests. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Adviser's clients may or may not provide such additional capital, and if provided each client will supply such additional capital in such amounts, if any, as determined by the Adviser. Investments by more than one client of the Adviser or its affiliates (including the Participating Affiliate) in a particular instrument or issuer may also raise the risk of using assets of a client of the Adviser or its affiliates to support positions taken by other clients of the Adviser or its affiliates. Employees and related persons of the Adviser and its affiliates (including the Participating Affiliate) have made or may make capital investments in or alongside certain of the Adviser's clients or clients of the Adviser's affiliates, and therefore may have additional

conflicting interests in connection with these investments. There can be no assurance that the return of a client participating in a transaction would be equal to and not less than another client participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

A client may invest in opportunities that other clients of the Adviser or clients of the Adviser's affiliates (including the Participating Affiliate) have declined, and likewise, a client may decline to invest in opportunities in which other clients of the Adviser or clients of the Adviser's affiliates have invested.

#### *Conflicts Related to the Adviser's Time Allocation*

The directors, members, officers, Associated Persons and other personnel of the Adviser may allocate their time between the Initial Fund and other investment and business activities in which they may be involved. The Adviser devotes such time as is necessary to conduct the Initial Fund's business affairs in an appropriate manner. However, the Adviser may simultaneously devote the resources necessary to managing its other investment and business activities.

#### *Principal Transactions*

Subject to the restrictions under Section 206(3) of the Advisers Act, the Adviser may engage in principal transactions between a client account and a proprietary account of the Adviser or an affiliate. A principal transaction occurs when the Adviser, acting for its own account (or the account of an affiliate) buys a security or other instrument from, or sells a security or other instrument to, a client account. Such transactions create conflicts of interest because the Adviser may have an incentive to purchase a security for a proprietary account from a client account at a price below the best price possible or to improve the performance of a proprietary account at the expense of a client account by selling underperforming assets to the client account.

To address these conflicts of interest, prior to settlement of any principal transaction, written disclosure must be provided to a client and the client's consent must be obtained. The written disclosure must state that the Adviser is acting as principal and describe the material terms of the transaction, which generally include: (i) the Adviser's original purchase price for any security or other instrument it sells to a client; (ii) the price the Adviser expects to receive on the resale of any security or other instrument it buys from a client; and (iii) the price at which any security or other instrument could be bought or sold elsewhere when the price would be better for the client.

#### *Cross-Transactions*

If the Adviser has multiple clients, the Adviser may engage in cross transactions by causing a client to purchase investments from another client or by causing a client to sell investments to another client. A cross transaction is a pre-arranged transaction between two different clients both of which are managed by the same adviser, even if a broker-dealer or other intermediary is used. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a client may not receive the best price otherwise possible, or the Adviser might have an incentive to improve the performance of one client by selling

underperforming assets to another client. The Adviser and its affiliates may receive management or other fees in connection with their management of the relevant clients involved in such a transaction. To address these conflicts of interest, in connection with effecting such transactions, in addition to complying with the applicable rules and regulations under the 1940 Act, the Adviser's CCO is responsible for confirming that the Adviser (i) considers its respective duties to each client, (ii) determines whether the purchase or sale and price or other terms are comparable to what could be obtained through an arm's length transaction with a third party, and (iii) obtains any required approvals of the transaction's terms and conditions. The CCO must approve all cross transactions. The Adviser will not directly or indirectly receive any commission or other transaction-based compensation for effecting any such transaction.

### *Valuation*

The Initial Fund has adopted its own valuation policies and procedures which are administered by the Initial Fund's service providers, although they may also rely on input or monitoring by the Adviser and personnel of the Participating Affiliate providing services to the Adviser's clients. The Adviser will follow these valuation procedures.

For other accounts the Adviser may manage, the Adviser has adopted a policy acknowledging its duty to value client accounts as provided in and consistent with certain organizational documents and offering documents (in the case of funds and other pooled investment vehicles advised by the Adviser) or advisory agreements (in the case of separately managed account clients), which generally require that securities be valued based on the last sale of that security, or if there were no sales on a particular day, on the basis of the closing bid price. The terms of any applicable client documents may specify modifications to these procedures for other purposes, including calculations required by fund documents in connection with distributions of assets from a fund or other pooled investment vehicle.

To the extent the Adviser's valuation calculations are also utilized to calculate the Advisory Fee and/or the performance of the client account in question, conflicts of interest may arise because the Adviser will have an incentive to maximize the valuation calculations in question.

### *Management of Advisory Clients*

The Adviser may in the future establish one or more additional investment funds or separate accounts with investment objectives substantially similar to, or different from, those of the Initial Fund. Allocation of available investment opportunities between the Initial Fund and any such new investment fund or account could give rise to conflicts of interest. See "*Allocation of Investment Opportunities Among Clients*" above. In addition, it is expected that Adviser Personnel who participate in managing the account or accounts of a particular advisory client may have responsibilities with respect to other advisory clients managed by the Adviser, including investment funds that may be launched in the future. Conflicts of interest may arise in allocating time, services or functions of these Adviser Personnel.

The Adviser's clients may enter into borrowing arrangements that require such clients to be jointly and severally liable for the obligations. If one client defaults on such an arrangement, the other clients may be held responsible for the defaulted amount. The Adviser's clients will only

enter into such joint and several borrowing arrangements when the Adviser determines it is in the best interests of its clients.

### *Conflicts Relating to the Adviser*

The Adviser generally may, in its discretion, contract with any related person of the Adviser to perform services for the Adviser in connection with its provision of services to Adviser's clients. When engaging a related person to provide such services, the Adviser may have an incentive to recommend the related person even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser generally may, in its discretion, recommend to a client that it contract for services with (i) the Adviser or a related person of the Adviser or (ii) an entity with which the Adviser or its affiliates or a member of their personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derives financial or other benefit. When making such a recommendation, the Adviser may, because of its financial or other business interest, have an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser, its affiliates, and members, officers, principals and employees of the Adviser and its affiliates (including the Participating Affiliate) may buy or sell securities or other instruments that the Adviser has recommended to its clients. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by the Adviser's clients. Such transactions will be subject to the policies and procedures set forth in the Adviser's Code of Ethics.

Because certain expenses will be paid for by a client or, if incurred by the Adviser, will be reimbursed by a client, the Adviser may not necessarily seek out the lowest cost options when incurring (or causing a client or its investment vehicles to incur) such expenses.

### *Diverse Investor Base for Clients*

Interests in the Initial Fund may be acquired by a diverse range of investors, including individuals and U.S. taxable and tax-exempt entities. Such investors may have conflicting investment, tax and other interests with respect to their investments in the Initial Fund. The conflicting interests among the investors may relate to or arise from, among other things, the nature of investments made by the Initial Fund, the structuring of the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by the Adviser or its affiliates, including with respect to the nature or structuring of investments, that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for the Initial Fund, the Adviser and its affiliates will consider the investment and tax objectives of the Initial Fund, not the investment, tax or other objectives of any investor individually.

As described in Item 10 above, certain of the Adviser's investment adviser affiliates (including the Participating Affiliate) have their own clients. Although these affiliates focus primarily on a different investment strategy than the Adviser, clients of the Adviser and these affiliates may invest in the same issuers, including in the same security or in different securities of such an issuer. Interests of the Adviser's clients may therefore conflict with the interests of the clients of these affiliates. See *"Allocation of Investment Opportunities Among Clients"* and *"Conflicts Related to Purchases and Sales"* above for more information.

#### *Other Potential Conflicts*

The Adviser and its clients may engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. In the event of a significant dispute or divergence of interest between the Adviser's clients, the Adviser and/or its affiliates, the parties may engage separate counsel in the sole discretion of the Adviser and its affiliates, and in litigation and other circumstances separate representation may be required. Additionally, the Adviser and its clients may engage other common service providers. In such circumstances, there may be a conflict of interest between the Adviser and its clients in determining whether to engage such service providers, including the possibility that the Adviser may favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by Adviser's clients.

The Adviser may, in its discretion, have, and may, in its discretion, cause its clients to have, ongoing business dealings, arrangements or agreements with persons who are former employees or executives of the Adviser. The Adviser's clients may bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between the Adviser and its clients in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that the Adviser may favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

A client of the Adviser or its related persons may invest in a pooled investment vehicle, such as the Initial Fund, that is advised by, or that has another business or other relationship with, the Adviser or its related persons. In such a case, investors in such accounts will bear not only the direct management fees and other expenses payable under their investment advisory agreements, but also the expenses and fees associated with the investment in the underlying pooled investment vehicle, some of which fees and expenses may be paid to the Adviser or its related persons. Additionally, the interests of an investor may conflict with the interests of the underlying pooled investment vehicle or the Adviser or its related persons in their capacity as service providers to the underlying pooled investment vehicle, which would create a conflict of interest for the Adviser.

In the regular course of their investment banking businesses, certain affiliates of the Adviser provide a broad range of advisory services and represent potential purchasers, sellers and other involved parties, including corporations, financial buyers, management, shareholders and institutions, with respect to assets which may be suitable for investment by Adviser's clients. In

such cases, such an affiliate's client would typically require the affiliate to act exclusively on its behalf, thereby precluding the Adviser's clients from acquiring such assets. Such affiliates will be under no obligation to decline such engagements in order to make the investment opportunity available to the Adviser's clients.

To the extent not restricted by confidentiality requirements or applicable law, the Adviser may apply experience and information gained in providing services to a client in providing services to competing issuers invested in by affiliates of the Adviser's other clients.

The Adviser's relationships with its advisory clients could create a conflict of interest to the extent the Adviser becomes aware of inside information concerning investments or potential investment targets. The Adviser and its clients have implemented compliance procedures and practices designed to ensure that inside information is not used for making investment decisions on any client's behalf. The Adviser's clients will not be able to assure investors, however, that these procedures and practices will be effective. In addition, this conflict and these procedures and practices may limit the freedom of the Adviser to enter into or exit from potentially profitable investments for its clients which could have an adverse effect on such clients' results of operations. Conversely, the Adviser may pursue investments for its clients without obtaining access to confidential information otherwise in its possession, which information, if reviewed, might otherwise impact an Adviser's judgment with respect to such investments.

## **Item 12. Brokerage Practices**

To meet its fiduciary duties to its clients, the Adviser has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities.

### Selection of Brokers and Dealers

The Adviser has sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions on behalf of clients. In placing portfolio transactions for clients, the Adviser seeks to obtain the "best execution" for client accounts, taking into account the price of a security offered by the broker-dealer, as well as a broker-dealer's responsiveness, probability of execution and settlement, size of order relative to market liquidity, global relationship factors, and the Adviser's legal and credit assessment of the broker-dealer, among other factors. "Best execution" means obtaining for the client account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer.

In addition, the Adviser may consider the use of Electronic Communications Networks ("ECNs") when placing trades on behalf of clients.

In order to monitor best execution, the Adviser, in consultation with the Adviser's CCO, periodically monitors broker-dealers to assess the quality of execution of brokerage transactions effected on behalf of the Adviser and its clients. The portfolio managers are responsible for monitoring client accounts for compliance with the Adviser's policy on best execution, based on



information and reviews of the Adviser's Best Execution Committee and related operating procedures also used by the Participating Affiliate. The Adviser's Best Execution Committee evaluates, on a quarterly basis, the execution performance of broker-dealers used to execute client transactions and brokers used by the portfolio managers can only be selected from a list provided by the Best Execution Committee. The Adviser maintains a schedule of approved brokers, along with commission schedules and other information deemed relevant to support the conclusions reached with respect to each of the aforementioned best execution evaluations / reviews (e.g., broker-dealer eligibility and execution performance).

#### Use of Brokers that Distribute Shares of Registered Investment Companies to Execute Portfolio Transactions

Rule 12b-1(h) under the 1940 Act permits the Initial Fund, and any other issuer which is registered with the SEC as an investment company under the 1940 Act and which is managed by the Adviser (collectively, "Registered Investment Companies") to use selling brokers to execute transactions in portfolio securities only if the Adviser has implemented policies and procedures designed to ensure that the selection of brokers for portfolio securities transactions is not influenced by considerations relating to the sale of shares of such Registered Investment Companies. The procedures must be reasonably designed to prevent: (i) the persons responsible for selecting broker-dealers to effect Registered Investment Company portfolio securities transactions (e.g., portfolio managers or traders), from taking into account, in making those decisions, broker-dealers' promotional or sales efforts, and (ii) the Adviser from entering into, or causing to enter into, any agreement or other understanding under which a Registered Investment Company directs brokerage transactions or revenue generated by those transactions to a broker-dealer to pay for distribution of Registered Investment Company shares.

Accordingly, the Adviser has adopted a written policy specifying that it will not enter into, or cause any person to enter into, any agreement (whether oral or written) or other understanding under which the Registered Investment Companies direct, or are expected to direct (1) portfolio securities transactions; or (2) any remuneration, including but not limited to, any commission, mark-up, mark-down, or other fee (or portion thereof) received or to be received from the Registered Investment Companies' portfolio transactions effected through any other broker or dealer to a broker or dealer in consideration for the promotion or sale of shares issued by the Registered Investment Companies or any other client of the Adviser or its affiliates.

It is also the policy of the Adviser that persons responsible for selecting brokers and dealers to effect the Registered Investment Companies' portfolio transactions, or involved in these transactions, are prohibited from taking into account the brokers' and dealers' promotion or sale of shares issued by the Registered Investment Companies or any other investment company. Further, no portfolio transactions of the Registered Investment Companies may be used to compensate any broker or dealer for their promotional or sales efforts with respect to any other client of the Adviser or its affiliates.

Achievement of high-quality execution will not justify or excuse violation of these policies, and the CCO has the authority to take additional measures reasonably designed to enforce the Adviser's policies and procedures with respect to selection of broker-dealers.

#### Soft Dollars

To the extent consistent with the Adviser's policy to seek best execution, the Adviser may consider research and other services provided by broker-dealers in making trading decisions and, as it deems appropriate, may "pay up" (e.g., pay a higher commission to execute a trade than the lowest available negotiated commission) by using a portion of the commissions generated when executing client transactions (commonly referred to as "soft dollars") to acquire research and brokerage services in a manner consistent with the "safe harbor" provided by Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). As a result, the Adviser may pay a higher rate or amount of commissions to broker-dealers who provide research and brokerage services and may use "step outs" to obtain such services, as long as doing so is consistent with the objective of seeking best execution and the Adviser has made a good faith determination that the client commissions paid are reasonable in relation to the value of the services received.

A conflict of interest exists when a broker-dealer provides such research services, as the Adviser will have an incentive to favor such broker-dealer over others that may charge lower commissions. The Adviser has adopted written policies and procedures addressing its use of soft dollars specifying that, prior to entering into a soft dollar arrangement with a broker-dealer, the arrangement must be approved in writing by the CCO (or his or her designee) for information and oversight.

Under the safe harbor provided by Section 28(e) of the Exchange Act, the Adviser may use soft dollars to acquire research and brokerage services even where such services may also be available for cash, to the extent appropriate and permitted by law, when such services assist the Adviser in meeting the investment objectives of one or more client accounts or in managing such accounts. The Adviser will not enter into any agreement or understanding with a broker-dealer that would obligate the Adviser to direct a specific amount of brokerage transactions or commissions to a counterparty in return for research or brokerage services. Research services provided by a broker-dealer can be either proprietary (created and provided by the broker-dealer, including tangible research products as well as access to analysts and traders) or third-party (created by a third party but provided by the broker-dealer). The Adviser may use soft dollars to acquire proprietary research and any permissible brokerage service. The Adviser currently does not use soft dollars to acquire third-party research. The Adviser will revise its policy regarding the use of soft dollars to acquire third-party research before changing these practices.

Research and brokerage services acquired by the Adviser may be used for any account managed by the Adviser, even if that account did not generate the soft dollars used to acquire such services. The CCO will monitor the extent to which eligible research and brokerage services are used only by clients of the Participating Affiliate, as a conflict of interest may arise when the Adviser's clients pay up by using soft dollars to acquire research and brokerage services which are not actually used by the Adviser's clients, but only by clients of the Participating Affiliate.

The Adviser may permit clients to direct the Adviser to execute the client's trades with a specified broker-dealer. When a client directs the Adviser to use a specified broker-dealer to execute all or a portion of the client's securities transactions, the Adviser treats the client direction as a decision by the client to retain, to the extent of the direction, the discretion the

Adviser would otherwise have in selecting broker-dealers to effect transactions and in negotiating commissions for the client's account. Although the Adviser attempts to effect such transactions in a manner consistent with its policy of seeking best execution, there may be occasions where it is unable to do so, in which case the Adviser will continue to comply with the client's instructions. Transactions in the same security for accounts that have directed the use of the same broker will be aggregated. When the directed broker-dealer is unable to execute a trade, the Adviser will select broker-dealers other than the directed broker-dealer to effect client securities transactions. A client who directs the Adviser to use a particular broker-dealer to effect transactions should consider whether such direction may result in certain costs or disadvantages to the client. Such costs may include higher brokerage commissions (because the Adviser may not be able to aggregate orders to reduce transaction costs), and less favorable execution of transactions. By permitting a client to direct the Adviser to execute the client's trades through a specified broker-dealer, the Adviser will make no attempt to negotiate commissions on behalf of the client and, as a result, in some transactions such clients may pay materially disparate commissions depending on their commission arrangement with the specified broker-dealer and upon other factors such as size of the transaction and the market for the security or financial instrument. The commissions charged to clients that direct the Adviser to execute the clients' trades through a specified broker-dealer may in some transactions be materially different from those of clients who do not direct the execution of their trades. Clients that direct the Adviser to execute the clients' trades through a specified broker-dealer may also lose the ability to negotiate volume commission discounts on batched transactions that may otherwise be available to other clients of the Adviser.

### Aggregation of Trades

To the extent it manages assets for multiple clients, the Adviser (and by extension the Participating Affiliate) may aggregate (or bunch) the orders of more than one client account for the purchase or sale of the same security subject to its duty to seek best execution. For example, orders may be aggregated to realize economies of scale, to possibly receive better market executions or to obtain better overall prices, including lower commission costs or mark-ups or mark-downs.

Aggregation opportunities generally arise when more than one client is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. In such event, execution costs and securities purchased or sold will be allocated pro rata among participating client accounts and on an average price basis. Allocation methods should be documented before the aggregated orders are placed (or, if deviation is necessary, deviations must be made based on the allocation procedures discussed in Item 11 above under "*Allocation of Investment Opportunities among Clients*" and before the trades are allocated).

When an aggregated order is only partially filled, the investment opportunity will generally be allocated among participating clients on a pro rata basis based on each client's initial participation in the transaction or, if the number of shares is not equally distributable, on a specific allocation basis following the allocation procedures above.

## **Item 13. Review of Accounts**

### Oversight and Monitoring

Day-to-day portfolio management activities of client accounts managed by the Adviser are carried out by certain members of the Adviser's portfolio management team, the Associated Persons and the Participating Affiliate, each acting on behalf of the Adviser (as will be, or, in the case of the Initial Fund, have been disclosed to each client). Pursuant to the advisory agreement with the Initial Fund, the Adviser is responsible for overseeing management of the Initial Fund's investments. The Initial Fund's Board of Trustees exercises ultimate discretion over all of the Adviser's activities with respect to the Initial Fund.

### Reporting

Investors in pooled investment vehicles managed by the Adviser, such as the Initial Fund, will typically be mailed, in accordance with SEC rules, copies of audited financial statements of the Initial Fund or other pooled investment vehicle within 60 days after the fiscal year end of the Initial Fund or other pooled investment vehicle, as well as semiannual unaudited management reports within 60 days after the end of each six-month period. The Adviser may from time to time, in its sole discretion, provide additional information relating to such client accounts to one or more investors in such client accounts as it deems appropriate.

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

To the extent that the Adviser makes cash payments to third-party solicitors for client referrals, the Adviser ensures that each such solicitor has entered into a written agreement with the Adviser pursuant to which the solicitor provides each prospective client with a copy of the Adviser's Form ADV Part 2A, and a disclosure document setting forth the terms of the solicitation arrangement, including the nature of the relationship between the solicitor and the Adviser and any fees to be paid to the solicitor. Where applicable, cash payments for client solicitations are structured to comply fully with the requirements of Rule 206(4)-3 under the Advisers Act and related SEC staff interpretations.

For details regarding economic benefits provided to the Adviser by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above.

## **Item 15. Custody**

The Adviser does not maintain physical custody of client assets. The Initial Fund is a registered investment company and therefore complies with the custody requirements of the 1940 Act. To the extent assets of the Initial Fund are held by a custodial bank, such custodial bank will send account statements to an independent representative of investors in the Initial Fund or to investors in the Initial Fund. The recipient of such account statements received from the custodial bank should compare them to account statements the Adviser delivers to investors.

## **Item 16. Investment Discretion**

The Adviser has investment discretion over assets placed under its management. Investment discretion allows the Adviser to make investment decisions and to direct the execution of transactions for a client's account (subject to the investment objectives and guidelines applicable to the account) without consulting with the client in connection with each transaction. Prior to accepting investment discretion, the Adviser must have a signed investment advisory agreement with respect to the assets over which the Adviser will have discretion. Services provided to the Initial Fund are in accordance with the advisory agreement with the Initial Fund and the 1940 Act. Investment restrictions for the Initial Fund are disclosed in the Initial Fund's Prospectus and Statement of Additional Information. Investment advice is provided directly to the Initial Fund, and not individually to the investors in the Initial Fund.

## **Item 17. Voting Client Securities**

NAM US may have the discretion at times to vote proxies for clients. NAM US understands that proxy voting is an important right of shareholders and reasonable care and diligence must be undertaken to ensure that such rights are properly and timely exercised. The types of investment strategies that NAM US currently offers are such that many financial instruments in which NAM US expects to invest on behalf of a client do not provide for proxy voting (e.g., futures, forwards, Treasury bonds and other fixed income securities). Accordingly, NAM US rarely has to vote proxies. Nevertheless, NAM US exercises reasonable care and diligence to ensure that all proxies are voted in a timely fashion.

The Adviser has adopted written policies and procedures setting forth the principles and procedures by which the Adviser votes or gives consent with respect to securities owned by the Initial Fund and other clients. These policies and procedures have been designed to help verify that proxy votes are provided in the best interests of the clients in accordance with the Adviser's fiduciary duties and Rule 206(4)-6 under the Advisers Act. The guiding principle by which the Adviser exercises all voting decisions is to vote in the best interests of clients by maximizing the economic value of each client's holdings, taking into account the relevant client's investment horizon, the contractual obligations under the relevant advisory agreements or comparable documents, and other relevant facts and circumstances at the time of the vote.

The Adviser's CCO or his or her deputy (who can be located within NAM Paris) is responsible for confirming that neither the Adviser, nor any member of the Proxy Voting Team, is aware of any conflicts of interest that may arise between the Adviser and its affiliates, on the one hand, and the interests of its clients, on the other, regardless of whether these conflicts are actual or perceived. Once a conflict of interests is identified, the CCO or his or her deputy collects the recommendation of the Adviser's Proxy Voting Team and decides independently whether to implement the recommendation or whether to vote differently. The CCO or his or her deputy may also seek additional justification for the vote if deemed necessary to show that the conflict of interest was adequately addressed.

Where the Adviser's CCO deems appropriate in his or her sole discretion, unaffiliated third parties may be used to help resolve conflicts. In this regard, the Adviser's CCO shall have the

power to retain independent fiduciaries, consultants, or professionals to assist with voting decisions and/or to delegate voting or consent powers to such fiduciaries, consultants or professionals.

Copies of relevant proxy logs, identifying how proxies were voted and copies of proxy voting policies are available to any client or prospective client upon written request to the Adviser at the following address: 399 Boylston Street, Boston, MA 02116. In addition, voting information for registered investment company clients, such as the Initial Fund, will be publicly available on Form N-PX via the SEC's website.

#### **Item 18. Financial Information**

Item 18 is not currently applicable to Natixis Asset Management U.S., LLC.

#### **Item 19. Requirements for State-Registered Advisers**

Item 19 is not currently applicable to Natixis Asset Management U.S., LLC.