

**Blackstone NWI Asset Management L.L.C.**

**Form ADV Part 2A Brochure**

**October 31, 2014**

**Blackstone NWI Asset Management L.L.C.**

**c/o NWI Management, L.P**

**623 Fifth Avenue, 23rd Floor**

**New York, New York 10022**

This Form ADV Part 2A (the “Disclosure Brochure” or “Brochure”) is required by the Investment Advisers Act of 1940 (the “Advisers Act”), as amended, and is intended to provide information about the qualifications and business practices of Blackstone NWI Asset Management L.L.C. (“BNAM”).

If you have any questions about the contents of this Brochure, please contact Peter Rand at (212) 583-5071 or rand@blackstone.com. 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 BNAM is also available at the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (click on the link “Investment Adviser Search”, select “Investment Adviser Firm” and type in BNAM’s name). Results will provide you with both Parts 1A and 2A of BNAM’s Form ADV.

BNAM is registered with the SEC as an investment adviser. BNAM’s registration as an investment adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure, serve as information for you to use in evaluating BNAM and should be considered in your decision whether to hire BNAM or to continue to maintain a relationship with BNAM.

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

- BNAM has made no material changes to this Brochure since BNAM's initial filing of the document on October 3, 2014.
- In future filings, this section of the Brochure will address material changes since BNAM's last update of this document (when amended in conjunction with our annual update).
- BNAM may update this Brochure at any time and will either send clients a copy or offer to send a copy (either by electronic means (email) or in hard copy form).
- If you would like another copy of this Brochure, you may download it from the SEC website as indicated on the cover of this Brochure or contact BNAM's Head of Global Client Operations, Peter Rand, at (212) 583-5071 or [rand@blackstone.com](mailto:rand@blackstone.com).

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## Defined Terms

As used throughout this Brochure, the terms below have the following meanings:

**BAAM:** Blackstone Alternative Asset Management L.P., a registered investment adviser and a co-owner of BNAM.

**BAAM Funds:** The private investment funds and mutual funds sponsored and managed by BAAM (commingled funds and customized funds) that predominantly engage in multi-manager investment programs. The private BAAM Funds are commonly referred to in the industry as funds of hedge funds or “FoHFs.”

**BNAM:** Blackstone NWI Asset Management L.L.C., the filing adviser.

**BNAM Funds:** The private investment funds sponsored and managed/advised by BNAM

**Blackstone:** The Blackstone Group L.P. (NYSE: BX), which is the ultimate parent of BAAM.

**Clients:** Generally refers to the BNAM Funds and separately managed accounts for which BNAM acts as investment adviser.

**Client Constituent Documents:** The Confidential Offering Memorandum, Limited Partnership Agreement, Memorandum and Articles of Association, Subscription Agreement, Investment Management Agreement and other applicable constituent documents for a BNAM Fund.

**Code:** BNAM’s Code of Ethics mandated by the Investment Advisers Act of 1940, as amended.

**Investor:** An investor in a BNAM Fund.

**NWI:** NWI Asset Management, L.P., a registered investment adviser and a co-owner of BNAM.

## **Item 4 – Advisory Business**

### **Overview of the Firm**

Blackstone NWI Asset Management L.L.C., a Delaware limited liability company organized in June 2014 (“BNAM” or the “Investment Manager”), serves as the investment adviser to certain private investment funds (the “BNAM Funds”) and potentially, in the future, separately managed accounts (together with the BNAM Funds, “Clients”). BNAM is jointly owned and controlled by NWI Management, L.P. (“NWI”) and Blackstone Alternative Asset Management L.P. (“BAAM”).

### **NWI**

NWI is a Delaware limited partnership organized and controlled by Mr. Nellapali (“Hari”) Hariharan and Jayachandrika Hariharan. NWI will have day-to-day authority over BNAM’s investment activities and trading related back-office functions.

NWI is an SEC-registered investment adviser with its principal place of business at 623 Fifth Avenue, 23rd Floor, New York, New York, 10022. NWI has been in business since 1999 and provides discretionary investment advisory services to private investment funds and separately managed accounts that are primarily intended for institutional and high net worth individual investors. NWI’s advisory business is primarily in the area of global macro investing with an emphasis on emerging markets.

### **BAAM**

BAAM, a limited partnership organized under the laws of the State of Delaware, is an affiliate of The Blackstone Group L.P. BAAM will have day-to-day authority over BNAM’s operations other than its investment-related activities and related operational functions, including (i) administrative, accounting and compliance functions, and (ii) marketing and investor relations.

BAAM, an SEC-registered investment adviser, was founded in 1990 as part of The Blackstone Group L.P. (NYSE: BX) (“Blackstone”), which is the ultimate parent of BAAM. Blackstone is a leading alternative investment manager with investment programs and services concentrating in the private equity, real estate, corporate advisory and debt/credit areas, as well as BAAM’s hedge fund solutions business.

Form ADV Part 1A and 2A for NWI and BAAM are available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **BNAM Operating Agreement**

BNAM’s operating agreement provides BAAM and NWI with certain “no fault” withdrawal rights and also provides each party with certain remedies upon the occurrence of a “cause” event by the other party, including, but not limited to, the right to elect to terminate the operating agreement and cause

the dissolution of BNAM and the BNAM Funds. The exercise by one of the parties of these rights could result in a material adverse effect on BNAM's Clients.

### **Overview of Advisory Services**

As an investment adviser, BNAM, among other things:

- Implements a long-biased Emerging Markets-focused investment strategy for Clients;
- makes decisions on behalf of Clients to trade and to make and/or redeem investments;
- monitors Client investments;
- may engage in foreign currency hedging transactions and/or the hedging of certain market exposures for certain Clients; and
- may facilitate extensions of credit or other leverage arrangements.

In general, BNAM expects to initially offer commingled funds ("Commingled Funds") but may offer single investor funds and/or accounts ("Separate Accounts") in the future. Separate Accounts generally would be subject to a higher minimum investment threshold than Investors seeking to invest in Commingled Funds due to the individualized nature of the services required.

BNAM has no assets under management ("AUM") as of October 31, 2014, but we expect to have, within 120 days of our initial registration becoming effective, client AUM sufficient for us to remain eligible for registration with the SEC.

## **Item 5 – Fees and Compensation**

### **Payment of Asset-Based Advisory Fees**

In general, BNAM charges an asset-based advisory fee based on assets under management. Generally, current NWI and BAAM employees invested in the BNAM Funds are not subject to such asset-based advisory fees. BNAM, in its sole discretion, may also waive or reduce fees for strategic and/or affiliated investors.

With respect to the BNAM Funds, fixed asset-based investment management fees are accrued and paid to BNAM monthly in arrears. Investors in the BNAM Funds are allocated their pro rata share of asset-based fees for the time period in which they are invested in the BNAM Funds.

Fees generally are non-negotiable except in the case of Separate Accounts and strategic and/or affiliated relationships.

### **Performance-Based Fees**

Please see **Item 6 – Performance-Based Fees** for more detail.

### **Additional Fees and Expenses**

BNAM's advisory fees are not inclusive of all the fees and expenses BNAM Clients (and, indirectly, the Investors) may pay. The following is a list of fees and/or expenses that BNAM Clients may pay directly to third parties. This list is not intended to be exhaustive; the relevant Client Constituent Documents provide further detail relating to fees and expenses.

- BNAM Funds formation costs
- Credit facility fees
- Bank service fees and interest expense
- Directors/Trustees fees
- Legal fees
- Regulatory filing fees, including preparation fees
- Reports, documents, and filings prepared in connection with the Alternative Investment Fund Managers Directive of the European Union



- Taxes
- Administrative fees
- Technology expenses, including news and quotation
- Audit and accounting fees
- Brokerage commissions
- Research fees and other expenses paid through soft dollars as disclosed in Item 12 – Brokerage Practices
- Margin costs, including but not limited to those relating to short sales and use of derivatives
- Transaction fees
- Custodial fees
- Wire transfer and electronic fund processing fees
- Travel expenses
- Consulting fees
- Litigation expenses
- Appraisal fees

Investors in a BNAM Fund should refer to the Client Constituent Documents for information regarding the specific fees that will be borne by the Fund.

BNAM, NWI, and Blackstone employees do not receive (directly or indirectly) any compensation from the purchase or sale of securities or investments that are purchased or sold for BNAM Funds, nor do BNAM, NWI, or Blackstone employees receive commission-based compensation with respect to the sale of interests in the BNAM Funds. Please see **Item 11 – Potential Conflicts of Interest**.

## **Item 6 – Performance Based Fees**

It is not anticipated that BNAM will charge performance based fees in its Commingled Funds; however, an Investor may negotiate performance based compensation in a Separate Account. A performance based compensation structure for BNAM strategies would be negotiated on a case-by-case basis.

The existence of a performance-based fee structure in the future may incentivize BNAM to manage Clients' assets in a more aggressive manner than if there was no performance-based fee. Further, the existence of differing performance-based compensation for BNAM Clients trading side-by-side might create a conflict of interest on the part of BNAM with respect to the allocation of investment opportunities.

## **Item 7 – Types of Clients**

BNAM's Clients are expected to include Commingled Funds and Separate Accounts. Separate Account clients may be based in the U.S. and outside of the U.S. and may consist of:

- Banks and other financial institutions
- Insurance companies
- Public and private retirement and pension plans
- Public and private profit sharing plans
- Trusts and estates
- Charitable organizations
- State and municipal government agencies
- Sovereign wealth funds
- Corporations
- Business entities other than those listed above

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

BNAM's investment process is based on a corporate finance approach to macroeconomic analysis. The income statement of a sovereign issuer is represented by GDP growth and fiscal deficit or surplus. The balance sheet of a sovereign issuer is represented by central bank reserves and debt as a percentage of GDP. The cash flow statement of a sovereign issuer is represented by the current account deficit or surplus. This analysis generates a set of investment themes that drives portfolio construction.

The investment process then takes each country and separates it into what BNAM believes are its constituent components of risk. These components are foreign exchange, interest rate duration, slope/curve, credit spreads, volatility and carry. BNAM then seeks to isolate the specific countries and specific risks within each country that it wishes to include in the portfolio and uses a trade construction process to attempt to isolate the desired exposures as best as possible without comingling those desired exposures with unwanted risks.

BNAM believes that the interplay between Emerging Markets and developed markets is an important driver of Emerging Markets returns and the investment process straddles both markets. BNAM generally attempts to hedge the portfolio from developed market risks that may have a negative impact on Emerging Market assets.

For purposes of BNAM's investment strategy, "Emerging Markets" includes any country included by the International Monetary Fund in its list of Emerging and Developing Economies, any country which is considered a Low-income, Lower-middle-income, or Upper-middle-income economy by the World Bank, any country which is included in an Emerging Market Index and any other country which the Investment Manager may determine qualifies as an Emerging Market.

BNAM believes that global political factors are extremely important in identifying investment opportunities and in trade construction. BNAM conducts its own political analysis internally and supplements its work with external sources as appropriate.

### **Risk of Loss**

BNAM's investment strategy involves significant potential risks, including the risk that Clients (and, in turn, the underlying investors in such Clients), could lose some or all of any invested capital. This includes risks associated with:

- General Economic and Market Conditions
- Investment and Trading Risks
- Dependence on the Investment Manager and Key Individuals
- No Operating History for the Fund
- Liability of the Fund, the Master Fund, and Separate Classes

- Master-Feeder Structure
- Limited Liquidity
- In-Kind Distributions; Liquidating Special Purpose Vehicles
- Systems and Operational Risks
- Misconduct of Personnel of the Investment Manager and of Third-Party Service Providers
- Retention and Motivation of Key Employees
- Different Information Rights Among Investors
- Investment and Due Diligence Process
- Assumption of Business, Terrorism, and Catastrophe Risks
- Systemic Risk
- Necessity for Counterparty Trading Relationships/ Counterparty Risk
- Investing in Emerging Markets
- Use of Options
- Highly Volatile Markets
- Swap Agreements
- Credit-Default Swaps
- Investments in Distressed Securities
- Loan Participations
- Futures Contracts
- FX Forward Trading
- Currency Devaluations and Fluctuations
- Hedging Strategies
- Diversification of Investments
- Investments in Sovereign Debt
- Illiquid Portfolio Investments
- Use of Leverage
- Absence of Regulation under the Investment Company Act
- Legal and Regulatory Environment for Private Investment Funds and their Managers
  - Dodd-Frank Act
  - Alternative Investment Fund Managers Directive
  - Identity of Beneficial Ownership; Withholding on Certain Payments

The above list is a sampling and is not meant to be an exhaustive. A detailed description of the risks associated with BNAM's investment strategy is included in the Client Constituent Documents of the respective BNAM Funds, where applicable, a copy of which is provided to prospective investors and should be carefully reviewed prior to investing.

## **Item 9 – Disciplinary Information**

BNAM does not have any legal, financial, or other disciplinary items to report to you. BNAM is obligated to disclose any disciplinary event that would be material to you when evaluating a client/advisor relationship.

## Item 10 – Other Financial Industry Activities and Affiliations

BNAM is an affiliate of the following entities:

<b>Registered Investment Adviser Entities</b>	
Blackstone Alternative Asset Management L.P.	Manages private funds and accounts engaged in multi-manager investment programs
NWI Management, L.P.	Provides investment advisory services to private investment funds and separately managed accounts specializing in emerging markets
<b>Commodity Trading Advisor and Commodity Pool Operator Entities</b>	
Blackstone Alternative Asset Management L.P.	Manages private funds and accounts engaged in multi-manager investment programs
NWI Management, L.P.	Provides investment advisory services to private investment funds and separately managed accounts specializing in emerging markets
<b>Commodity Pool Operator Entities</b>	
Blackstone Alternative Asset Management Associates LLC	Serves as general partner of certain BAAM private investment funds that are structured as limited partnerships
NWI Associates LLC	Serves as general partner of certain NWI private investment funds that are structured as limited partnerships
Blackstone NWI Associates L.L.C.	Serves as general partner of certain BNAM private investment funds that are structured as limited partnerships

## **Item 11 – Code of Ethics**

As required by the Advisers Act, BNAM has adopted a Code of Ethics (the “Code”) that addresses a number of potential conflicts of interest that exist when providing advisory services to clients. This Code is designed to enable BNAM to meet its fiduciary obligations and instill a culture of compliance within BNAM. In addition, the Code assists BNAM in preventing violations of federal securities laws.

The Code is distributed to employees at the time of hire and annually thereafter. BNAM also supplements the Code with ongoing monitoring of employee activity and periodic training

The Code includes (among other things):

- Requirements related to confidentiality;
- Limitations on, and reporting of, gifts and entertainment;
- Pre-clearance of political contributions;
- Pre-clearance and reporting of employee personal securities transactions; and
- Pre-clearance of outside business activities.

On an annual basis, BNAM requires all employees to certify that they are in compliance with the Code.



## Investment-Related Potential Conflicts

Potential Conflict	Mitigating Policy
<p>NWI Asset Management, L.P., which is an affiliate of BNAM, serves as the investment manager for private investment funds and separate accounts (“NWI Clients”) that participate in a broad range of direct investment opportunities within the Emerging Markets space. As these investment opportunities may be suitable for the BNAM Funds, BNAM and NWI may be subject to conflicts in allocating such opportunities between BNAM Clients and NWI Clients. In particular, NWI Clients managed side-by-side with the BNAM Funds generally provide performance-based compensation whereas the BNAM Funds only pay an investment management fee. This may create an incentive for NWI to allocate particularly favorably investment opportunities that would be suitable for the BNAM Funds solely to NWI Clients.</p>	<p>BNAM and NWI maintain policies and procedures with respect to the allocation of investment opportunities. NWI reviews and documents allocation decisions in which an investment opportunity may be suitable for more than one platform. In addition, each limited capacity allocation decision is documented separately and reviewed by NWI and periodically reviewed by BNAM Compliance to determine that such allocation complies with the applicable policies and procedures and is consistent with BNAM’s disclosures to its clients.</p>
<p>To the extent permitted by applicable law, BNAM may cause a BNAM Fund to purchase investments from, to sell investments to, to exchange investments with, or to transfer investments to another BNAM Fund or a fund or account managed by a BNAM affiliate. Any such purchases, sales, exchanges or transfers will be affected based upon the independent current market price or fair market value of the investment and in compliance with applicable laws and client constituent documents.</p>	<p>Any such activities will be subject to the approval of BNAM’s Operating Committee (see <b>Item 13 – Review of Accounts</b> for further details).</p>
<p>From time to time, BNAM may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the BNAM Clients may be prohibited, by law, policy or contract, for a</p>	<p>As a result of information barriers that are in place and policies relating to the sharing of information, BNAM does not expect material non-public information obtained by BAAM and</p>

Potential Conflict	Mitigating Policy
period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer. BAAM and its affiliates may also receive material non-public information with respect to an issuer of publicly traded securities in the course of BAAM's activities.	its affiliates to impact BNAM and its Clients.

### Non-Investment Related Potential Conflicts

Potential Conflict	Mitigating Policy
BNAM, BAAM, NWI and their employees may invest for their own accounts in various investment opportunities that may be suitable for the BNAM Funds.	<p>BNAM employees must pre-clear trades in all hedge funds and other securities (subject to limited exceptions) with BNAM Compliance.</p> <p>BAAM employees must pre-clear trades in all hedge funds and other securities (subject to certain limited exceptions) with BAAM and Blackstone Compliance.</p> <p>NWI employees must pre-clear trades in all hedge funds and other securities (subject to certain limited exceptions) with NWI Compliance.</p> <p>Upon hire and annually thereafter, all BNAM, BAAM, and NWI employees must report all personal securities holdings.</p>
From time to time, BNAM may speak at conferences and programs for potential hedge fund investors, which are sponsored by BNAM's, BAAM's and NWI's third-party service providers for potential hedge fund investors. Through such "capital introduction" events, prospective hedge fund investors have the	<p>BNAM employees must pre-clear speaking at conferences and other programs with BNAM compliance.</p> <p>BNAM Compliance must approval all materials provided by BNAM as part of such conferences and other programs. Neither BNAM nor the BNAM Funds compensates the service providers</p>

Potential Conflict	Mitigating Policy
<p>opportunity to meet with BNAM. Such events and other services (including, without limitation, capital introduction services) provided by service providers, including prime brokers, custodian and administrators, may influence BNAM in deciding whether to use such service provider.</p> <p>BNAM may have a placement agreement with a broker-dealer that sponsors hedge fund conferences or similar events.</p>	<p>for organizing such events.</p>

Financial institutions, executives of public companies and other “value added investors” may be investors in the BNAM Funds. These persons and their employees are a potential source of information and ideas that could benefit the BNAM Funds. Further, from time to time, BNAM and NWI may receive material non-public information with respect to an issuer of securities. In such circumstances, the BNAM Clients may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer. BAAM and its Affiliates may also receive material non-public information with respect to an issuer of publicly traded securities in the course of activities.

BNAM, NWI, and BAAM maintain policies and procedures relating to the use of private information, information sharing and information walls in general. As a result of information barriers that are in place, BNAM does not expect material non-public information obtained by BAAM and its Affiliates to impact the BNAM Fund.

BNAM may have entered, or in the future may enter, into letter agreements or other similar agreements (commonly referred to as “side letters”) with one or more of a BNAM Fund’s investors that provide such investor(s) with additional and/or different rights than other investors in the Fund (including, without

BNAM generally does not enter into agreements that grant preferential treatment to Investors in the same share class with respect to liquidity or fee terms.

Potential Conflict	Mitigating Policy
<p>limitation, with respect to access to information, minimum investment amounts, and liquidity terms).</p>	<p>BNAM incurs common expenses on behalf of the BNAM Funds.</p> <p>BNAM allocates such expenses on a basis that it considers equitable and in accordance with its expense allocation policies and the Client Constituent Documents.</p>

Potential Conflict	Mitigating Policy
Certain employees of BNAM, Blackstone, and NWI may invest in the BNAM Funds. Typically, no advisory fees are charged to such investors. The employees invested in the BNAM Funds may be individuals responsible for approving investment opportunities for the BNAM Funds.	The BNAM Operating Committee receives a monthly report of BNAM employees' and Blackstone Management Committee members' personal hedge fund holdings (including BNAM Fund holdings) at the time of approving investment opportunities for the BNAM Funds.

### BAAM and NWI Related Potential Conflicts

Potential Conflict	Mitigating Policy
From time to time, Blackstone, BAAM, and NWI may refer potential investors to BNAM and these investors may become investors in one of the BNAM Funds.	All investors are reviewed for suitability of investments and must satisfy the BNAM Funds' investment minimums and any investor qualifications.
Certain BAAM Funds may invest a portion of their assets in the BNAM Funds. Conflicts of interest may arise because BAAM may have more detailed information regarding BNAM and the BNAM Funds than other Investors. In addition, BAAM Funds may represent a substantial portion of the assets of the BNAM Funds. Accordingly, redemptions of capital by the BAAM Funds from the BNAM Funds could be materially adverse to non-redeeming Investors.	BAAM maintains policies and procedures designed to limit access to trading and portfolio information with respect to the BNAM Funds. To that end, information available to BAAM beyond that which is available to other Investors is generally accessible only by BAAM personnel directly involved in BNAM matters.
BAAM and its affiliates have financial interests in other asset managers and investment vehicles, which may give rise to conflicts of interest between BAAM, on the one hand, and BNAM, the BNAM Clients and/or NWI on the other. Affiliates of BAAM operate independently of BAAM and are not limited in their investment or business decisions by considerations relating to the best interests of BNAM and the BNAM Clients.	BAAM endeavors to manage these potential conflicts in a fair and equitable manner, subject to legal, regulatory, contractual or other applicable considerations.

Potential Conflict	Mitigating Policy
<p>In particular, BAAM and its affiliates hold ownership or other economic interests in various other investment managers. Such ownership interests range from minority to 100%. Some of these other investment managers may invest in areas that overlap with BNAM's investment strategies. Revenues received by BAAM or its affiliates through interests in such investment managers in some instances may be greater than the revenues BAAM receives from its interest in BNAM. This could cause BAAM to devote greater resources to the development of such other managers at the expense of resources devoted to BNAM which could, in turn, have a negative impact on the BNAM Clients.</p>	
<p>Certain of the professionals who act on behalf of BNAM carry on investment and other activities for NWI and BAAM unrelated to BNAM and its Clients. These non-BNAM related activities could be viewed as creating a conflict of interest in that certain BNAM professionals will not be devoted exclusively to the business of BNAM.</p>	

## **Item 12 – Brokerage Practices**

### **Factors Considered in Selecting Broker-Dealers**

BNAM generally has full discretion to determine which Securities are bought and sold, the amount and price of those Securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid.

BNAM will allocate Client portfolio transactions to brokers on the basis of, among other things, best execution and in consideration of a broker's ability to effect the transactions, its facilities, reliability and financial responsibility, as well as the provision or payment by the broker of the costs of research and research-related services. In addition, brokers may provide other services that are beneficial to BNAM, but not necessarily beneficial to Clients, including, without limitation, capital introduction, marketing assistance, consulting with respect to technology, operations or equipment, and other services or items. Such services and items may influence BNAM's selection of brokers.

Accordingly, the prices and commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to Clients by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers that may not offer such services. BNAM need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Generally, neither BNAM nor Clients separately compensates any broker or dealer for any of these other services.

BNAM maintains policies and procedures to review the quality of executions, including periodic reviews by its trading and investment personnel.

### **Soft Dollars**

From time to time, BNAM may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transactions) for effecting Client transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. BNAM will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Exchange Act and subject to prevailing guidance provided by the SEC regarding Section 28(e). BNAM believes it is important to its investment decision-making processes to have access to independent research.

Also, consistent with Section 28(e), BNAM may use research products or services obtained with "soft dollars" generated one Client to service one or more other Client including, without limitation, other BNAM Funds, Separate Accounts, proprietary accounts and other investment vehicles, including Clients that may not have paid for the soft dollar benefits. BNAM will not seek to allocate soft dollar benefits to Clients in proportion to the soft dollar credits that each Client generated. Where a product or service obtained with soft dollars provides both research and non-research assistance to BNAM (i.e., a "mixed

use" item), BNAM will make a good faith allocation of the cost that may be paid with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of BNAM's allocation of the costs of such benefits and services between those that primarily benefit BNAM and those that primarily benefit Clients.

When BNAM uses brokerage commissions (or markups/markdowns) generated by any Clients to obtain research or other products or services, BNAM receives a benefit because it does not have to produce or pay for such products or services. Therefore, BNAM may have an incentive to select or recommend a broker-dealer based on its interest in receiving research or other products or services, rather than on a Client's interest in receiving most favorable execution.

Periodically, BNAM considers the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its Clients on the basis of that consideration. Broker-dealers sometimes suggest a level of business that they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but may exceed the suggested level, as total brokerage is allocated on the basis of all of the considerations described above.

#### **Trade Errors**

Trade errors may result in losses or gains. BNAM will seek to detect trade errors prior to settlement and promptly correct and/or mitigate them. To the extent an error is caused by a third party, such as a broker-dealer, BNAM will generally seek to recover any losses associated with such error from the third party but will not be obligated to do so. BNAM and its affiliates and personnel generally will not be liable to Clients for any trade errors, absent bad faith, gross negligence, willful misconduct or fraud on the part of BNAM, and Clients generally will be required to indemnify such persons against any losses they may incur by reason of any trade error absent bad faith, gross negligence, willful misconduct or fraud.

#### **Order Aggregation and Allocation of Investment Opportunities**

Consistent with its obligation to seek best execution, BNAM may aggregate purchase and sale orders of securities, commodities, and other financial instruments held by a Client with similar orders being made simultaneously for other Clients (a "Bunched Order"), if, in BNAM's reasonable judgment, such aggregation would result in an overall economic benefit to all participating Clients based on relatively better purchase or sale prices, lower commission expenses, beneficial timing of transactions, or a combination of these and other factors.

While BNAM generally makes portfolio decisions for similarly situated Clients on an aggregated basis, it is not required to do so if portfolio management decisions for different Clients are made separately, or if BNAM determines that bunching or aggregating would be inconsistent with its obligation to seek best execution for Client orders.



When allocating investments among Clients and, in particular, when determining whether to allocate to a Client, to include a particular Client in an aggregated order involving multiple Clients, and/or the Client's percentage participation in a Bunched Order, BNAM will consider a number of allocation factors. In general, Clients that participate in a Bunched Order will be allocated on a prorata average price basis, subject to these allocation factors.

## **Item 13 – Review of Client Accounts**

Client accounts are reviewed on a regular basis and at periodic intervals by the BNAM Investment Committee, Chief Risk Officer, Compliance and Operations personnel. The reviews include, but are not limited to performance, asset allocation, risk exposure, valuations, allocation of investment opportunities between accounts, best execution and operational review to ensure proper booking, settlement, reconciliation of cash and positions

### **BNAM Investment Committee**

The Investment Committee is responsible for the investment, redemption and hedging decisions for the Clients. The Investment Committee makes its investment decisions based on a variety of criteria including, but not limited to:

- The expected performance of the investment;
- Availability of cash;
- Liquidity needs;
- Client investment objectives;
- Client risk parameters;
- ERISA capacity;
- General capacity;
- Tax efficiency;
- Investment limits;
- Diversification guidelines;
- Operational factors; and
- Legal and regulatory factors.

The Investment Committee also reviews the information presented to assess the allocations in light of the standard of being fair and equitable, particularly with respect to any potential conflicts of interest.

### **Monitoring Process**

The BNAM Investment Committee and Investment Team monitor the performance of the Clients on an ongoing basis. This monitoring includes, but is not limited to, reviewing for:

- Potential conflicts;
- Market conditions;
- Adherence to investment guidelines;
- Performance attribution; and
- Performance deviation.

**BNAM Operations Team Reconciliation**

The BNAM Operations Team performs daily cash reconciliations to determine that fundings, redemptions, expense payments, and other cash movements are properly processed.

**Administrator Reconciliation, if applicable**

Each BNAM Fund's administrator performs a reconciliation of cash, investor activity, and investments as part of its independent determination of the net asset value for such BNAM Fund, and produces the final capital/shareholder statements.

**Custodian Reconciliation, if applicable**

Each BNAM Fund's custodian reviews and reconciles the Fund's accounts on a monthly basis.

## **Item 14 – Client Referrals**

From time to time, BNAM may enter into distribution and/or placement agent arrangements. In a typical distribution/placement arrangement, BNAM agrees to pay a third-party solicitor for referring investors in BNAM Funds.

Typically, the third-party solicitors will receive a portion of the investment management fees paid to BNAM (although other payment arrangements could exist). A prospective investor solicited by a third party will be informed of (and may be asked to acknowledge in writing its understanding of) any such arrangement. All fees for such solicitation services will be the responsibility of BNAM and the investor will not be subject to any increased or additional fees or charges. Third-party solicitors engaged by BNAM in the U.S. will be registered as broker-dealers with the SEC. Third-party solicitors engaged by BNAM outside the U.S. may be registered with a non-U.S. regulatory body to the extent such registration is required in that non-U.S. jurisdiction.

Blackstone Advisory Partners L.P., an affiliate of BAAM, serves as a placement agent for the BNAM Funds in the U.S. but is not compensated for such services. BNAM also may establish a placement arrangement with Park Hill Group LLC, an affiliate of BAAM.

## Item 15 – Custody

Rule 206(4)-2 of the Advisers Act (the “Custody Rule”) defines custody as holding client securities or assets or having any authority to obtain possession of them. BNAM does not directly hold client securities or assets. Cash and securities are held by a qualified custodian appointed by BNAM pursuant to a separate custody agreement.

BNAM is deemed to have custody of client assets as a BNAM affiliate serves as General Partner to those BNAM Funds organized as U.S. limited partnerships and BNAM employees have the authority to move cash from one qualified custodian to another and to open accounts on behalf of all BNAM Funds. BNAM has adopted the policies and procedures below to address its requirements under the Custody Rule:

- BNAM maintains client funds and securities with a “Qualified Custodian.” Qualified Custodian includes a bank, savings association, broker-dealer holding the Client assets in customer accounts, and a foreign financial institution which customarily holds financial assets for its customers if the foreign financial institution keeps the Clients’ assets in customer accounts segregated from its proprietary assets; and
- BNAM ensures that each BNAM Fund is audited at least annually by an independent certified public accounting firm that is registered and inspected by the Public Company Accounting Oversight Board (PCAOB). Investors will receive audited financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) on an annual basis.

## **Item 16 – Investment Discretion**

### **Investment Guidelines**

Investment decisions are made within the investment guidelines as described in each BNAM Client's Client Constituent Documents.

### **Types of Investments**

BNAM generally has broad discretion to make investments within the guidelines specified in the Client Constituent Documents. In connection therewith, BNAM may invest, directly or indirectly, on margin or otherwise, in interests commonly referred to as securities and other financial instruments of United States and non-U.S. entities, including those commonly known as derivatives.

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

BNAM has adopted Proxy Voting Policies and Procedures that are designed to ensure that in cases in which BNAM votes proxies with respect to client securities, such proxies are voted in the best interests of its Clients.

BNAM will seek to vote proxies in the best interests of each particular Client, which may result in different voting results for proxies for the same issuer. BNAM believes that voting proxies in accordance with the following guidelines is in the best interests of its Clients. If BNAM believes that the issue being voted upon is not material for BNAM and its Clients, BNAM will not be obligated to vote on such matter.

- Generally, BNAM will vote in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors, and increases in or reclassification of common stock.
- Generally, BNAM will vote against proposals that make it more difficult to replace members of the issuer's board of directors, including proposals to stagger the board, cause management to be overrepresented on the board, introduce cumulative voting, introduce unequal voting rights, or create supermajority voting.

BNAM will attempt to identify any conflicts of interest between BNAM and its Clients with respect to any proxy statements received by BNAM. If a material conflict of interest exists, BNAM will determine whether voting in accordance with the guidelines set forth in the Procedures is in the best interests of the client or take some other appropriate action.

A copy of BNAM's proxy voting policies and procedures are available upon request.

## **Item 18 – Financial Information**

BNAM does not charge or solicit prepayment of \$1,200 or more in fees per client six or more months in advance.

BNAM is not aware of any financial condition reasonably likely to impair its ability to meet its contractual commitments to its Investors.



## **Item 19 – Requirements for State Registered Advisers**

This item is not applicable as BNAM is not registered in any states.