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This brochure provides information about the qualifications and business practices of Cutwater Asset Management Corp. ("CAMC"). If you have any questions about the contents of this brochure, please contact us at 1-866-766-3030 or [info@cutwater.com](mailto:info@cutwater.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

CAMC is registered with the SEC as an investment adviser. CAMC's registration in no way implies a certain level of skill or training.

**Item 2: Material Changes**

Item 4 has been updated to include the change in ownership to BNY Mellon as of January 1, 2015.

Item 9 has been updated to include disciplinary information related to the new parent BNY Mellon.

Item 10 has been updated to include information on our affiliates and arrangements as part of the BNY Mellon group.

Item 11 has been updated to provide information on the BNY Mellon Code of Conduct and Personal Securities Trading Policy that has replaced our previous Code of Conduct and requirements.

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#### **Item 4: Advisory Business**

CAMC provides fixed income investment advisory services to a variety of investors. Established in 1993, CAMC was known as MBIA Capital Management Corp. from its inception until February 8, 2010. CAMC and its investment adviser affiliate engage in business under the name Cutwater Asset Management (“Cutwater”). The business units of Cutwater are organized under a parent holding company called Cutwater Holdings, LLC. As of January 2015 CISC is a wholly owned subsidiary of The Bank of New York Mellon (BNY Mellon) and will work closely with, and be administered by, Insight Investment, a European asset manager and one of BNY Mellon’s investment management subsidiaries.

CAMC’s advisory services are offered to institutional clients in three major product lines: total return, customized and structured. Within the total return product line, CAMC offers cash management, as well as discretionary and non-discretionary asset management in both pooled and separate account formats. Within the customized product line, CAMC manages asset/liability programs as well as insurance portfolios and tax efficient strategies. Within the structured product line, CAMC manages absolute return strategies as well as conduits, collateralized debt obligations (“CDOs”), and other funding vehicles for banks and program trustees.

As described above, CAMC offers a variety of specialized product lines. We are able to determine the particular investment goals and objectives through direct personal contact with clients and to offer clients the investment products or strategies which we believe best fit their investment objectives. Accounts are managed pursuant to investment guidelines and restrictions provided by clients to establish parameters for account management. Individual clients may also impose specific restrictions limiting CAMC’s ability to invest in certain securities or types of securities.

CAMC can create individualized portfolio strategies based on a number of factors both internal and external to the client. These factors can include a client’s unique cash flow needs, and its regulatory and policy requirements. CAMC works with each client to develop an investment framework based on the client’s risk tolerance, investment policy and current market conditions.

As of November 30, 2014, CAMC provided investment advisory services to a total of 30 accounts with total assets under management (AUM) of \$985.98 billion. This total included 22 discretionary accounts with total AUM of \$583.57 billion and 8 non-discretionary accounts with total assets of \$402.41 billion.

## **Item 5: Fees and Compensation**

CAMC is compensated for its investment advisory services through fees which are primarily calculated as a percentage of assets under management in client accounts. All fees are subject to negotiation and are dependent on account services provided and portfolio size. CAMC has sample fee schedules which apply to accounts associated with various product lines. For certain of CAMC's clients, the fee calculation may be based upon the average or ending market value of client account assets on either a monthly or quarterly basis. In other cases, the average historical cost value will serve as the basis for the fee calculation. In each case, client account assets are multiplied by a basis point fee, the amount of which varies, depending on the contractual relationship with a particular client. Our fees are generally billed in arrears. However, some clients may pay fees in advance at their own discretion. If a client opts to pay its management fees in advance and the applicable agreement is ultimately terminated prior to the end of the billing period, the management fees will be prorated for the portion of the billing period in which the agreement was in effect and CISC will issue the client a refund for any excess fees.

CAMC maintains separate fee schedules for each of its investment strategies.

The fee schedule for client accounts managed pursuant to CAMC's Core Fixed Income investment strategy ("Core"), part of our traditional product line, is as follows: 0.30% on the first \$25 million, 0.25% on the next \$25 million and 0.20% in excess of \$50 million.

The fee schedule for client accounts managed pursuant to CAMC's High Yield Fixed Income strategy ("High Yield"), part of our traditional product line, is as follows: 0.50% on the first \$25 million, 0.40% on the next \$25 million and 0.30% in excess of \$50 million.

The fee schedule for client accounts managed pursuant to CAMC's Short Term Fixed Income strategy ("Short Duration"), part of our traditional product line, is as follows: 0.25% on the first \$25 million, 0.20% on the next \$25 million and 0.15% in excess of \$50 million.

Our fees are subject to negotiation and may take into account, a client account's investment strategy, the extent of servicing requirements and the assets under management aggregated across the client's relationship. With respect to a client account, if we decide to invest in interests in one of our private funds, we may rebate a portion of the client account fees back to the client in an amount equal to the advisory fee of the fund in which the client invested, unless otherwise agreed or disclosed to the client.

With respect to unregistered pooled investment vehicles ("Private Funds"), the applicable fees and expenses are set forth in the Private Fund's investment advisory agreement, subscription agreement and/or other governing documents, or the offering memorandum, if applicable.

CAMC bills clients and/or deducts fees on a monthly or quarterly basis subject to the applicable contractual agreement. Generally all expenses and fees are included in investment advisory fees charged to clients by CAMC. In most cases clients separately pay custodian fees, although in a limited number of cases CAMC will pay the fees on behalf of the client. CAMC clients do not incur separate brokerage or other transaction costs because transactions in fixed

income securities for client accounts are conducted on a net basis without commissions.

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

CAMC does not charge performance based fees on client accounts.

**Item 7: Types of Clients**

CAMC clients include: corporations, insurance companies, unions, Taft-Hartley funds, municipalities, school districts, other local governmental entities, endowments, foundations, alternative investment programs, and private funds. CAMC currently does not impose a minimum account size.



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

### **METHODS OF ANALYSIS**

CAMC employs the following methods of analysis in the management of client portfolios: sector allocation, security selection, yield curve positioning, and maturity/duration management.

Sector allocation is determined through a mix of quantitative and qualitative techniques. We track historical yield spreads among sectors with different risk characteristics over long time periods. We use “bottom-up” fundamental research as a means for security selection. In the area of corporate credit, our analysts use a combination of financial statement analysis, analysis of developing industry trends, discussions with company management, and quantitative models to establish the creditworthiness of issuers in their sectors. In the structured products area, CAMC uses loan level modeling, and proprietary cash flow analysis to establish the creditworthiness of the unique structures that characterize those sectors.

To establish yield-curve positioning, we analyze yield pick-ups along the curve per unit of duration as well as key-rate durations of a specific managed portfolio relative to its index.

In managing portfolio maturity/duration we consider factors such as interest rate moves and yield curve shifts which influence the returns of a fixed income portfolio. We also consider factors that influence the economy and interest rates, such as monetary policy, fiscal policy, inflation, productivity, and other economic indicators.

### **INVESTMENT STRATEGIES**

CAMC relies on three primary product lines- total return, customized and structured. Total return strategies include: Core Fixed Income, Core Plus Fixed Income, Core Plus Select Income, Money Market, Short Duration, Intermediate Duration, Long Duration, High Yield, Unconstrained Bond Strategy - Conservative, and Enhanced Cash Management. Customized strategies include: Liability Driven Investing (LDI), and Insurance and Tax Efficient. Structured strategies include Absolute Return strategies, and Collateralized Debt Obligations (CDO) management. Described below are the principal investment strategies we use in formulating investment advice and managing assets.

#### ***TOTAL RETURN STRATEGIES***

##### ***Core Fixed Income***

The Core Fixed Income (“Core”) investment strategy seeks total return with a combination of income and capital appreciation. This strategy consists of allocations to the U.S. investment grade bond market. Core may invest up to 10% in out-of-benchmark sectors which may include U.S. Treasury Inflation Protected Securities (TIPS), high yield, and tax-exempt securities. Interest rate exposure is generally managed within a +/- 20% range benchmark duration.

##### ***Core Plus Fixed Income***

The Core Plus Fixed Income (“Core Plus”) investment strategy has the same objective as Core, but is distinct in that it may invest up to 25% in out-of-benchmark sectors which may include U.S. TIPS, high yield non-dollar and emerging markets.

### ***Core Plus Select Income***

The Core Plus Select Income (“Core Plus Select”) investment strategy seeks to provide investors with a diversified basket of debt securities designed to generate a high rate of current return. The investment strategy combines fundamental, bottom-up credit analysis with macroeconomic perspectives to arrive at individual security selection and sector weighting decisions. Under normal circumstances, the strategy will typically invest at least 80% of its total assets in debt securities. These securities are primarily a diversified selection of high-quality corporate bonds and other types of fixed income assets, including U.S. government obligations, mortgage and asset-backed securities, collateralized mortgage obligations and others rated Baa, BBB or the equivalent by any nationally recognized statistical rating organization. Core Plus Select may invest up to 25% of its assets in high yield.

### ***Money Market***

The Money Market strategies invest in high quality, short-term fixed income securities. These strategies generate current income while maintaining liquidity and preserving capital. The weighted average maturity should not exceed 60 days. CAMC manages these strategies consistent with the diversification, ratings and maturity guidelines of SEC Rule 2a-7. Assets managed in this style are designed to provide investors daily liquidity at a \$1.00 constant net asset value (NAV) per share. Typical sectors used in the management of these styles can include U.S. government securities, repurchase agreements, commercial paper, short term corporate notes and other money market instruments.

Through participation in Local Government Investment Pools (LGIPs) this strategy is designed to meet the short-term cash management needs of local governments. LGIPs involve pooling funds of many local government entities to provide them the opportunity to obtain safety of principal, daily liquidity and competitive rates.

### ***Short Duration***

The Short Duration strategy seeks to provide a stable source of income, with long-term capital appreciation as a secondary objective. This strategy entails active management of duration, sector allocation and security selection. Maximum maturities for holdings are typically limited to 5 to 7 years. Investments for this strategy consist of high quality fixed income securities and seek to maintain a portfolio average duration within +/- 20% of the benchmark.

### ***Intermediate Duration***

The Intermediate Duration strategy seeks to enhance current income and long-term capital appreciation with maximum maturities typically limited to 10 years. The strategy provides active management of duration, sector allocation and security selection. Exposures generally consist of actively managed allocations to the U.S. investment grade bond market. Interest rate exposure is actively managed, generally within a +/- 20% range of benchmark duration.

### ***Long Duration***

The Long Duration strategy seeks to maximize risk-adjusted total return with a combination of income and capital appreciation through investment in a diversified portfolio of investment-grade fixed income securities. This strategy entails active management of duration, sector allocation and security selection. Investment guidelines allow for out of benchmark allocations. The managed duration for this strategy is generally within +/- 10% of benchmark duration.

### ***High Yield***

The High Yield strategy focuses on generation of high current income and long-term capital growth through investing primarily in higher yielding, non-investment grade U.S. corporate debt securities. Portfolios following this investment strategy typically invest at least 80% of holdings in securities rated below BBB-.

### ***Unconstrained Bond Strategy – Conservative***

The Unconstrained Bond Strategy – Conservative (formerly known as the Rate Shield strategy) attempts to provide defensive positioning against rising rates through a diversified, high-quality portfolio that offers an alternative to the traditional core fixed income and core plus fixed income investor. This strategy seeks to provide yield while decreasing interest rate risk by de-emphasizing Treasuries and Agencies in favor of corporate credit and structured securities. By focusing on structured securities (e.g. CLOs, CMBS, and ABS), corporate credit across the capital structure and high yield debt, the strategy attempts to provide a solution to the current low yield environment while maintaining a short duration profile. Portfolios can be customized for a client's risk tolerance, sector restrictions, liquidity profile, quality constraints and yield targets.

### ***Enhanced Cash Management***

The Enhanced Cash Strategy provides the liquidity of traditional money market funds but with a desire to migrate away from the restrictions of SEC rule 2A-7 in search of higher yield. The strategy invests in high quality, short-term fixed income securities. Typical sectors include U.S. government securities, repurchase agreements, commercial paper, short-term corporate notes and other money market instruments. Client accounts may be limited by sector or maturity guidelines.

## ***CUSTOMIZED STRATEGIES***

### ***Liability Driven Investing***

This strategy seeks to manage client assets to permit a portfolio to meet or exceed expected liabilities through the use of sophisticated, proprietary models that can be tailored to our clients' unique circumstances. These models seek to optimize the investment profile to meet liquidity demands, immunize liabilities, and enhance yield. This strategy applies our proprietary stochastic model to assign probabilities of the desired outcome for a given investment strategy versus a liability stream through time.

### ***Insurance and Tax Efficient***

These strategies seek to properly identify the underlying goals and requirements of our insurance and tax efficient clients, and reduce the liabilities that each of their portfolios supports (e.g. tax liability). Liabilities may be specific to the client's business objectives, such as gain-loss budgets and cash-flow defeasances, or be general to the regulations imposed within a client's industry, such as state imposed insurance legislation or industry defined capital requirements. Yield enhancement and cash-flow matching considerations are taken into account during client portfolio design. These strategies seek to balance principal protection with income enhancement and portfolio liquidity.

### ***STRUCTURED STRATEGIES Absolute Return Products***

#### ***Unconstrained Bond Strategy – Broad***

The Unconstrained Bond Strategy - Broad (formerly known as the Credit Opportunities Strategy) seeks to provide attractive risk-adjusted returns over time in diverse market environments. As an unconstrained, absolute return-oriented strategy not tethered to a market benchmark, Unconstrained Broad allows for significantly greater discretion than traditional funds to adjust duration exposure - portfolio duration is permitted to range from -2 to 8 years. Focused on the "spread" fixed income sectors, including but not limited to global structured finance securities, corporate bonds and loans, and municipal/subsovereign bonds, the strategy has no significant sector constraints and is permitted to invest opportunistically in various low-rated, distressed and/or illiquid investments.

#### ***Corporate Credit Absolute Return Strategy***

This strategy seeks to provide strong returns on both an absolute and risk-adjusted basis. The strategy seeks absolute return while protecting against interest rate risk through a combination of long (credit) positions and short (treasury) positions. The strategy seeks total return through security selection and dynamic sector allocation taking long positions in credit securities, primarily in investment grade debt. The strategy seeks to immunize through the use of short positions in U.S. Treasuries. Other opportunistic investments that the strategy may invest in include preferred securities, hybrid securities and corporate credit focused asset backed securities.

#### ***Collateralized Debt Obligation (CDO) Management***

As CDO manager, CAMC is responsible for selecting, monitoring and trading the assets of CDO portfolios within the parameters and constraints established by each CDO's structure and related legal documentation. Managed CDOs seek to deliver attractive returns to equity investors while ensuring that CDO debt holders are not subjected to undue risks. CAMC also serves as replacement manager on certain CDO transactions which are distressed/impaired and provide limited or no ability for trading in portfolio assets. CAMC's goal as replacement CDO manager is to actively monitor the asset portfolio, mitigate further downside risks and deliver enhanced outcomes to the CDO's investors while staying compliant with the parameters and constraints established by the transaction structure. Where transaction documents permit, relative value trading and/or defensive sales are tools used to enhance returns. In addition, analyzing and responding to corporate actions/consent requests on investments held in the CDO's asset portfolio or participating in investment workouts/restructuring proposals may best protect the interests of the CDO's investors.

## RISKS INVOLVED

Investment involves risk, including the possible loss of principal. No assurance can be given that the portfolio performance objective of an investment strategy will be achieved. Past performance is not a guarantee of future results.

The fixed income investment strategies utilized by the adviser generally have four principal risks: credit risk, volatility risk, interest rate risk and liquidity risk. Many of these risks in individual securities are mitigated in portfolio construction by having well diversified portfolios which enhances the overall return per unit of risk. A summary of these risks follow:

**Credit Risk:** Credit risk is the risk of deterioration of the financial condition of an issuer of securities that affects its ability to make timely payment of interest and principal and ultimately payment default. CAMC focuses primarily on investment grade credits, structuring portfolios with an emphasis on mitigating negative credit events. Accordingly, we tend to structure client portfolios to select higher rated credits with longer dated final maturities and to select lower rated credits with shorter dated final maturities to provide additional yield.

**Volatility of Returns:** CAMC defines this type of risk as measured by the standard deviation of returns relative to the benchmark. We seek to provide clients with high risk-adjusted results by focusing on spread sectors to drive return enhancement, and therefore to mitigate volatility and achieve higher risk-adjusted returns versus our benchmarks and peers.

**Interest Rate Risk:** Interest rate risk describes the sensitivity that a given security or portfolio has to changes in interest rates. For example, the value of a fixed rate bond is reduced as interest rates increase because investors demand lower prices to compensate for the higher yields available in the marketplace. CAMC mitigates interest rate risk by keeping portfolio duration generally within +/- 20 percent of the benchmark duration.

**Liquidity Risk :** This refers to the risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. In the fixed income market, liquidity risk is related to the willingness of brokers to buy and/or sell a given security when the portfolio manager is ready to trade. We mitigate liquidity risk by structuring a portfolio to include securities with laddered maturities that match client cash flow needs. As additional safeguards, CAMC seeks to limit portfolio exposure to not more than 10 percent of any particular issue and considers the extent of liquidity in the secondary market.

CAMC does not view the above noted risks relating to fixed income portfolio management as “significant” or “unusual” in a portfolio context across the set of investment strategies offered by the firm. We believe that these risks are mitigated through the benefits of diversification of portfolio holdings. Exposure to fixed income management risk is most appropriately considered in the context of investment in specific categories of securities relating to the firm’s investment strategies.

Generally, securities recommendations made by CAMC are determined with reference to the investment guidelines and restrictions applicable to particular client accounts. Various categories of structured finance and high yield corporate securities which are frequently recommended by CAMC involve special risks which can be identified as follows.

**RMBS:** Residential Mortgage-Backed Securities (RMBS) are generally pass-through securities that experience cash flows based on the performance of the underlying loan pool. The highly granular and diversified nature of residential loan pools tend to reflect more macroeconomic factors than the event-risk typical of corporate bonds. Based on the performance of these loans, bond cash flows may face prepayment risks on bonds trading at dollar premiums and extension risk on bonds trading at dollar discounts, which would lead to worse realized yield-to-maturity performance than may have been initially projected. Pass-through securities will also introduce considerable cash flow uncertainty which may make them poorly suited for asset-liability matching strategies.

**CMBS:** Commercial Mortgage-Backed Securities (CMBS) are generally pass-through securities which are less diversified than residential pools and are therefore much more susceptible to the unique credit characteristics of the underlying loans. Furthermore, the impact of macroeconomic factors such as consumer spending and employment will vary in accordance with the different property types (e.g., retail, office, multifamily, industrial) and geographic concentrations that may be present within a CMBS pool. One other major consideration in modeling risk for CMBS is the balloon nature of the loan repayment schedules. This introduces significant refinancing risk on the loans at their scheduled maturity date and requires assumptions on the likelihood that a loan will be refinanced on a timely basis or extended by the servicer.

**Corporate High Yield:** Issuers of high yield securities generally have more limited revenue and cash flows, higher leverage in their capital structures and less access to capital markets, than companies issuing investment grade debt. Therefore, investing in high yield corporate bonds entails increased credit risk, a higher probability of default, and higher liquidity risk. High yield issues also tend to have higher return volatility, and somewhat less interest rate risk, given the shorter duration of such issues compared to investment grade corporate bonds.

### **Item 9: Disciplinary Information**

The New York State Attorney General's Offices, the U.S. Attorney's Office for the Southern District of New York and certain other plaintiffs have filed civil complaints against The Bank of New York Mellon (the "Bank") and/or The Bank of New York Mellon Corporation ("BNY Mellon"). BNY Mellon is the parent company of the Bank and CISC. These actions allege that the Bank and/or BNY Mellon improperly charged and reported prices for standing instruction foreign exchange ("FX") transactions executed in connection with custody services provided by the Bank. BNY Mellon believes that the claims asserted in the actions are without merit, and reflect a fundamental misunderstanding of the role of custodian banks and the operation of institutional FX markets. BNY Mellon plans to defend itself vigorously on behalf of its shareholders. CISC is not a defendant to any of these actions.

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

CAMC, in addition to being a registered investment advisor, is also a registered broker/dealer and a FINRA member. The existence of this dual registration does not create material conflicts of interest with clients because CAMC is not actively engaged in the brokerage business.

Cutwater Investor Services Corp. (“CISC”), an SEC registered investment adviser, is an affiliated entity under common control with CAMC. Currently there are nine (9) CISC management persons serving as registered representatives for the broker/dealer.

Each of CAMC and CISC has agreements with its own respective client accounts and each is governed by the trade allocation and aggregation policies and by the code of ethics.

Cutwater’s ultimate parent, BNY Mellon, is a global financial services company providing a comprehensive array of financial services (including asset management, wealth management, asset servicing, clearing and execution services, issuer services and treasury services) through a world-wide client focused team that enables institutions and individuals to manage and service their financial assets. BNY Mellon Asset Management is the umbrella designation for BNY Mellon’s affiliated investment management firms and global distribution companies and is responsible, through various subsidiaries, for U.S. and non-U.S. retail, intermediary and institutional distribution of investment management and related services.

We may enter into transactions with unaffiliated counterparties or third party service providers who then use affiliates of the Firm to execute such transactions. These services may include, for example, clearance of trades, purchases or sales of ADRs, or other transactions not contemplated by us. Although one of our affiliates may receive compensation for engaging in these transactions, the decision to use or not use an affiliate of ours is made by the unaffiliated counterparty or third party service provider. Further, we will likely be unaware that the affiliate is being used to enter into such transaction.

BNY Mellon and/or its other affiliates may gather data from us about our investment activities, including information about holdings within client portfolios, which is required for regulatory filings to be made by us or BNY Mellon or other affiliates (e.g., reporting beneficial ownership of equity securities) or for other compliance, legal or risk management purposes, pursuant to policies and procedures of the Firm, BNY Mellon or other affiliates. This data is deemed confidential and procedures are followed to ensure that any information is utilized solely for the purposes intended.

### **BNY Mellon’s Status as a Bank Holding Company**

BNY Mellon and its direct and indirect subsidiaries, including CISC, are subject to certain U.S. banking laws, including the Bank Holding Company Act of 1956, as amended (the “BHCA”), and to regulation and supervision by the Board of Governors of the Federal Reserve System (the “Federal Reserve”). The BHCA (and other applicable banking laws, and their interpretation and administration by the appropriate regulatory agencies, including but not limited to the Federal Reserve) may restrict the transactions and relationships among BNY Mellon, its affiliates



(including us) and our clients, and may restrict our investments, transactions and operations. For example, the BHCA regulations applicable to BNY Mellon and us may, among other things, restrict our ability to make certain investments or the size of certain investments, impose a maximum holding period on some or all of our investments, and restrict our ability to participate in the management and operations of the companies in which we invest. In addition, certain BHCA regulations may require aggregation of the positions owned, held or controlled by related entities. Thus, in certain circumstances, positions held by BNY Mellon and its affiliates (including us) for client and proprietary accounts may need to be aggregated and may be subject to a limitation on the amount of a position that may be held. These limitations may have an adverse effect on our ability to manage client investment portfolios. For example, depending on the percentage of a company we and our affiliates (in the aggregate) control at any given time, the limits may: (1) restrict our ability to invest in that company for certain clients and/or (2) require us to sell certain client holdings of that company at a time when it may be undesirable to take such action. Additionally, BNY Mellon may in the future, in its sole discretion and without notice, engage in activities impacting us in order to comply with the BHCA or other legal requirements applicable to (or reduce or eliminate the impact or applicability of any bank regulatory or other restrictions on) us and accounts managed by us and our affiliates.

### **Affiliated Service Providers**

In addition, to the extent permitted by law, placement agents and their respective affiliates may provide brokerage and certain other financial and securities services to us, our affiliates or related private funds. Such services, if any, will be provided at competitive rates. BNY Mellon is also affiliated with service providers, distributors and consultants that may provide services and may receive fees from BNY Mellon in connection with such services, which may incentivize such persons to distribute interests in a private fund or other BNY Mellon products.

### **Other Relationships**

In addition, BNY Mellon personnel, including certain of our employees, may have board, advisory, or other relationships with issuers, distributors, consultants and others that may have investments in a private fund and/or related funds or that may recommend investments in a private fund or distribute interests in a private fund. To the extent permitted by applicable law, BNY Mellon and its affiliates, including us and our personnel, may make charitable contributions to institutions, including those that have relationships with investors or personnel of investors. As a result of the relationships and arrangements described in this paragraph, placement agents, consultants, distributors and other parties may have conflicts associated with their promotion of a private fund, or other dealings with a private fund, that create incentives for them to promote a private fund.

### **Affiliated Broker-Dealers and Investment Advisers**

As part of BNY Mellon, we are affiliated with a significant number of advisers and broker/dealers. Where we select the broker to effect purchases or sales of securities for client accounts, we may use either an affiliated or unaffiliated broker (unless otherwise restricted by an

agreement, law or regulation). We may have an incentive to enter into transactions with an affiliated broker-dealer, in an effort to direct more commission dollars to its affiliate.

We may be prohibited or limited from effecting transactions for you because of rules in the marketplace, foreign laws or our own policies and procedures. In certain cases, we may face further limitations because of aggregation issues due to our relationship with affiliated investment management firms.

### **Affiliated Underwriters**

Our BNY Mellon Broker-dealer affiliates occasionally act as underwriter or as a member of the underwriting syndicate for certain new issue securities, which may create an incentive for us to purchase these new issue securities, in an effort to provide additional fees to the broker-dealer affiliate.

BNY Mellon has established a policy regarding purchases of securities in an offering in which an affiliate acts as an underwriter or as a member of the underwriting syndicate. In compliance with applicable banking, securities and ERISA regulations, we may purchase on behalf of our clients securities in an offering in which an affiliate is acting as an underwriter or as a member of the underwriting syndicate during the syndication period, so long as requirements of the policy, including written approval and compliance with certain investment criteria are met. The policy prohibits direct purchases from an affiliate for any fiduciary account under any circumstances.

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

CAMC and certain of its affiliated entities may invest for its/their own accounts (“proprietary accounts”) in securities that are also recommended for advisory clients. It is possible that trading for such proprietary accounts may result in CAMC or its affiliates taking positions similar or opposite to positions taken by one or more advisory clients. CAMC has adopted certain policies and procedures for trade execution, trade allocation, and order aggregation which are intended to mitigate any conflicts of interest arising from proprietary trading.

As part of BNY Mellon, CISC has adopted a Code of Ethics that is made up of two parts:

1. BNY Mellon Code of Conduct and Interpretive Guidance (the “BNY Mellon Code”); and
2. BNY Mellon Personal Securities Trading Policy (the “PSTP”).

The BNY Mellon Code provides to employees the framework and sets the expectations for business conduct. In addition, it clarifies our responsibilities to clients, suppliers, government officials, competitors and the communities we serve and outlines important legal and ethical issues:

1. Conflicts of Interest: gifts, entertainment and other payments; personal conflicts of interest; fiduciary appointments and bequests; outside affiliations, outside employment and certain outside compensation issues; and disclosure of relationships and transactions;
2. Proper Use and Care of Information and Proper Recordkeeping: proprietary information and intellectual property; data integrity and corporate information; use of e-mail and internet; accurate accounting and internal controls; use of non-public or “inside” information; talking to the media; and document retention;
3. Dealing with Customers, Prospects, Suppliers, and Competitors: business relationships with customers, prospects, suppliers, and competitors; business decisions; exploitation of relationships and use of the company’s name, letterhead or facilities; knowing your customer; and recognizing and reporting illegal, suspicious, or unusual activities;
4. Doing Business With the Government: complying with government contracts, government contracting laws and regulations; integrity in the sales and marketing process; truthful, accurate statements and recordkeeping; safeguarding government information and property; cooperating with government audits and investigations; and meeting employment and labor obligations;
5. Personal Finances: personal investments; personal brokerage accounts; political campaign contributions; contributions to not-for-profit entities; and individual employees’ regulatory requirements; and

6. Compliance with the Law: among other matters illegal or criminal activities; investigations; and protection of company assets.

The PSTP is designed to reinforce our reputation for integrity by avoiding even the appearance of impropriety and to ensure compliance with applicable laws in the conduct of our business. The PSTP sets forth procedures and limitations that govern the personal securities transactions of our employees in accounts held in their own names as well as accounts in which they have indirect ownership. We, and our related persons and employees, may, under certain circumstances and consistent with the PSTP, purchase or sell for their own accounts securities that we also recommend to clients.

The PSTP imposes different requirements and limitations on employees based on the nature of their business activities for the Firm. Each of our employees is classified as one of the following:

1. Investment Employee (“IE”): IEs are employees who, as part of their responsibilities, have access to nonpublic information regarding any advisory client’s purchase or sale of securities or nonpublic information regarding the portfolio holdings of any Proprietary Account, or are involved in making securities recommendations to advisory clients or have access to such recommendations before they are public.
2. Access Decision Maker (“ADM”): ADMs (generally portfolio managers and research analysts who make recommendations or decisions regarding the purchase or sale of equity, convertible debt and non-investment grade debt securities for mutual funds and other managed accounts) are subject to the most extensive procedures under the PSTP.
3. Other Employee (“OE”): Our employees are considered OEs if they are not an IE or ADM.

#### PSTP Overview:

1. IEs and ADMs are subject to preclearance and personal securities reporting requirements, with respect to discretionary accounts in which they have direct or indirect ownership;
2. Transaction reporting is not required for non-discretionary accounts, transactions in exempt securities or certain other transactions that are not deemed to present any potential conflicts of interest;
3. Preclearance is not required for transactions involving certain exempt securities (such as open-end investment company securities that are not Proprietary Funds or money market funds and short-term instruments, non-financial commodities; transactions in non-discretionary accounts (approved accounts over which the employee has no direct or indirect influence or control over the investment decision-making process); transactions done pursuant to automatic investment plans; and certain other transactions detailed in the PSTP which are either involuntary or deemed not to present any potential conflict of interest;
4. We have a “Preclearance Compliance Officer” who maintains a “restricted list” of

companies whose securities are subject to trading restrictions. This list is used by the Preclearance Compliance Officer to determine whether or not to grant trading authorization;

5. The acquisition of any securities in a private placement requires prior written approvals;
6. With respect to transactions involving BNYMC securities, all employees are also prohibited from engaging in short sales, purchases on margin, option transactions (other than employee option plans), and short-term trading (*i.e.*, purchasing and selling, or selling and purchasing BNYMC securities within any 60 calendar day period);
7. With respect to non-BNYMC securities purchasing and selling, or selling and purchasing the same or equivalent security within 60 calendar days is discouraged, and any profits must be disgorged;
8. No covered employee should knowingly participate in or facilitate late trading, market timing or any other activity with respect to any fund in violation of applicable law or the provisions of such fund's disclosure documents; and
9. A copy of our Code of Ethics will be provided upon request.

## **Item 12: Brokerage Practices**

In selecting or recommending broker/dealers for client transactions CAMC considers the following factors, among others: expertise in the specific securities or sectors in which we seek to trade; creditworthiness; financial and capital position stability; execution and settlement capabilities; the quality of operational facilities, the type, size and difficulty of the transaction involved; and any disclosed regulatory action.

Transactions in fixed income securities recommended by CAMC do not involve brokerage commissions. Reasonableness of compensation for a particular transaction is determined by reference to competitive bid and ask quotations on particular transactions being executed. CAMC has a fiduciary obligation to seek best execution for each client trade.

Where a decision has been made to purchase or sell a particular security for multiple client accounts/portfolios simultaneously, CAMC will combine orders across such accounts to place a larger/aggregated order into the market for execution.

**Item 13: Review of Accounts**

CAMC performs a review of each client account on a quarterly basis and provides clients with information in a standardized report format. Client account reviews are performed by supervised persons who generally hold the title of Vice President or above and who have portfolio management responsibility.

An account review will be triggered if there is a unique circumstance, such as a material increase in funding for the account. CAMC will also review client accounts upon a client's request.

Written client reports are provided at least on a quarterly basis and can be delivered electronically or by mail to the client. Reports contain information about the client's account holdings, transaction activity, accrued income, cash positions, account valuation, and portfolio performance.

**Item 14: Client Referrals and Other Compensation**

In the past, CAMC has entered into solicitation arrangements with third parties for the referral of prospective clients to the Firm, but currently does not use solicitors, and has no plans to enter into such arrangements. All solicitation arrangements are conducted in compliance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940.



**Item 15: Custody**

CAMC does not maintain custody of client funds or securities.

**Item 16: Investment Discretion**

CAMC manages many client accounts pursuant to discretionary authority. Occasionally, a client may place a limitation on CAMC's management discretion; for example, restricting the authority to sell securities which will result in realized capital gains or losses for tax purposes. CAMC often generally assumes discretionary authority pursuant to the terms of the client investment advisory agreement which provides for such authority. Under certain circumstances, CAMC will confirm by written communication with the client that it has discretionary authority in managing the account.

## **Item 17: Voting Client Securities**

As a fixed income investment manager CAMC votes proxies for client securities on a relatively infrequent basis. CAMC does have authority to vote such proxies and has adopted a proxy voting policy to ensure that proxies are voted in the best interest of each client. More frequently, CAMC votes or consents to corporate actions, including tenders, exchanges, amendments, and restructurings which relate to individual fixed income holdings of client accounts. Determinations on voting of consents to these matters tend to be driven primarily by CAMC's view of whether the proposed action will result in an economic benefit for the affected client(s).

### *Voting Policy*

In general, CAMC will vote in accordance with management's recommendations as to routine corporate matters such as those dealing with: appointments of auditors, routine election of directors, improvements in employee stock purchase or ownership plans, limiting liability of directors, setting compensation levels, increasing authorized shares. CAMC will generally vote against shareholder proposals involving matters of social conscience if it has determined that management is generally socially responsible. For example, we will generally vote against shareholder proposals to bar or place arbitrary restrictions on trade with other countries, or to place arbitrary restrictions on environmental practices.

CAMC will generally vote in favor of management proposals seeking to change an issuer's legal, business or financial structure provided that the position of current shareholders is preserved or enhanced. For example, we will generally vote in favor of proposals to approve mergers and acquisitions or to change capitalization.

Resolutions regarding anti-takeover measures will be considered individually. CAMC would typically oppose any proposal aimed solely at thwarting potential takeover offers by requiring, for example, super-majority approval. However we would also vote against proposals considered to foster instability or to be economically detrimental.

### *Voting Process*

Proxies are normally voted by the principal portfolio manager for the client account holding securities of the issuer soliciting the proxy. If more than one account holds these securities, then the portfolio manager of the account(s) holding the largest allocation of the issue will vote the proxy. CAMC has designated a portfolio manager (the Proxy Voting Portfolio Manager), who is responsible for overseeing the implementation of the proxy voting process.

In circumstances in which 1) the subject matter of the vote is not covered by these guidelines, 2) a material conflict of interest is present or 3) we believe it may be necessary, in the best interests of shareholders, to vote contrary to our general guidelines, the portfolio manager will discuss the matter with the Proxy Voting Portfolio Manager, who will be responsible for making the definitive determination as to how the proxy matter will be voted. In unusual or especially sensitive cases, the Proxy Voting Portfolio Manager may consult with the Chief Executive Officer/Chief Investment Officer to arrive at a proxy voting decision. Determinations with respect to proxy votes involving material conflicts of interest shall be documented in writing and maintained for a period of at least six years.

Clients may obtain information about how their securities were voted by contacting their CAMC relationship manager who will contact the portfolio manager to respond to such request. Clients may request a copy of our proxy voting policies by contacting their CAMC relationship manager.

**Item 18: Financial Information**

CAMC is not aware of any financial condition that is reasonably likely to impair its contractual commitments with clients.