

**Newton Capital Management Limited**  
**Form ADV Part 2A**  
**(as of December 31, 2014)**

Newton Capital Management Limited  
BNY Mellon Centre  
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United Kingdom

This brochure provides information about the qualifications and business practices of Newton Capital Management Limited. If you have any questions about the contents of this brochure, please contact us at +44 20 7163 9000 for any client related queries.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Newton Capital Management Limited is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Summary of material changes**

Newton Capital Management Ltd's last annual update of its Brochure was on March 31, 2014. There is a material change since the last filing regarding agreement of a settlement related to allegations around foreign exchange matters, see Item 9 for further details.

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## **Item 4. Advisory business**

### **Discretionary – Investment Management/Advise**

“Newton”, throughout this document, refers to the following companies: Newton Capital Management Limited (“the Firm” or “We” or “Us”) and Newton Investment Management Limited (“NIM”), both of which are 100% owned subsidiaries of Newton Management Limited (“NML”). NML is wholly owned by The Bank of New York Mellon Corporation (“BNY Mellon”).

The Firm is a company registered in England and Wales and governed by the law under the Companies Act 2006. The Firm was incorporated in the UK on January 9, 1992, and became a wholly-owned subsidiary of The Bank of New York Mellon Corporation (“BNY Mellon”) on July 23, 1998. The Firm is authorized and regulated in the UK by the Financial Conduct Authority and has both U.S. and Canadian domiciled clients. On August 27, 1992 the Firm was also registered in the United States with the Securities and Exchange Commission (“SEC”) as an investment adviser. Please note that this registration does not imply a particular level of skill or training on the part of the Firm.

The Firm provides investment advisory services to U.S. and non-U.S. clients. In providing advisory services to non-U.S. clients, we are subject to other non-U.S. regulation and rely on an exemption from registration in Canada. We provide discretionary and non-discretionary investment advisory services to institutional investors in the form of separate accounts, pooled investment vehicles that are exempt from registration in the U.S., wrap fee programs, registered mutual funds, and to other investment advisers through sub advisory agreements.

For separate accounts, we work with clients to create investment guidelines mutually acceptable to the client and the Firm. When creating investment guidelines, clients may impose investment restrictions on certain individual securities or types of securities. Clients who impose investment restrictions might limit our ability to employ the strategy resulting in investment performance that differs from the intended strategy and from other accounts that have not imposed such restrictions. The strategies in which we may invest client assets and the fees we may receive for managing such strategies are described below.

We currently provide investment advice for the following types of strategies:

- global multi- asset
- global multi-asset income
- global bond
- global dynamic bond
- global equity
- global equity income
- concentrated global equity
- global real return
- international equity, and
- emerging market equity

For example, client accounts employing our global equity strategy are managed in accordance with a model portfolio but also recognising the client’s specific investment guidelines.

We also offer investment advisory services in the form of pooled investment vehicles. Each pooled investment vehicle has an investment objective and a set of investment policies and/or guidelines that

we must follow. For this reason, we cannot tailor the investment advisory services we provide to these vehicles to meet individual investor needs. In addition, we cannot impose individual investment restrictions on the Firm's investment strategies for underlying investors in these pooled investment vehicles.

If consistent with a client's investment objective, we anticipate investing client assets in collective investment funds for which BNY Mellon serves as trustee and account custodian. Please also see Item 10 (Dual Officers and Employees). The collective investment funds are further described in Schedule A(s) of the applicable BNY Mellon collective investment fund plan documents, which are available upon request. The Firm may also manage portfolios as separate accounts and act as sub-adviser to registered investment companies, UCITS funds and other commingled vehicles.

## **Wrap Accounts**

We may provide discretionary advisory services in connection with separately managed or wrap account programs ("wrap fee program"). A client in a wrap fee program typically receives professional investment management of account assets through one or more investment advisers (including us) participating in the wrap fee program and trade execution, custodial, performance monitoring and reporting services or some combination of these or other services for a single, all-inclusive (or "wrap") fee charged by the program sponsor based on the value of the client's account assets. The program sponsor typically assists the client in defining the client's investment objectives based on information provided by the client, aids in the selection of one or more investment managers to manage the client's account and periodically contacts the client to ascertain whether or not there have been any changes in the client's financial circumstances or objectives that warrant a change in the arrangement or the manner in which the client's assets are managed. We currently participate in wrap fee programs sponsored by unaffiliated entities, including Morgan Stanley Smith Barney LLC, UBS Financial Services Inc. and Citigroup Global Markets Inc.

When we are retained to provide investment advisory services in connection with a wrap fee program, (i) both the Firm and its affiliate, MBSC Securities Corporation ("MBSC"), may enter into agreements with program sponsors (and responsibilities among the entities are allocated in such agreements or in a separate agreement), or (ii) MBSC may be granted the ultimate decision making responsibility for determining which securities are to be purchased or sold for client accounts and for implementing such decisions pursuant to agreements it enters into with program sponsors and we serve as a sub-adviser providing investment recommendations to MBSC. In such cases, it is expected that our recommendations will be implemented, subject only to differences resulting from individual investment guidelines or cash requirements or other needs of the particular wrap fee program client. MBSC is registered an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act") and as a broker-dealer under the Securities Exchange Act of 1934.

We also provide investment advisory services in connection with unified managed account programs ("UMA"). Under these UMA arrangements, our affiliate, MBSC, enters directly into an agreement with the UMA program sponsor. MBSC then delegates responsibility for investment recommendations to us. MBSC retains ultimate decision-making responsibility for determining which securities are to be purchased or sold for client accounts and for implementation of such decisions pursuant to the agreement MBSC enters into with the program sponsor. In such cases, it is expected that our recommendations will be implemented subject only to differences resulting from individual investment guidelines or restrictions, tax harvesting or other needs of the particular program client. We currently participate in a UMA program sponsored by an unaffiliated entity, Morgan Stanley Smith Barney LLC.

When we provide investment advisory services in connection with a wrap fee program, we do not negotiate on the client's behalf brokerage commissions or other costs for the execution of transactions in the client's account. Rather, it is expected that most transactions will be executed through the program sponsor or the program sponsor's designated affiliate since execution costs for agency transactions are normally included in the all-inclusive fee charged by the program sponsor. However, wrap fee program agreements generally provide that other broker-dealers may be selected to execute trades if deemed appropriate to achieve best execution. If a broker-dealer other than the program sponsor or the program sponsor's designated affiliate is selected to effect a trade for a wrap fee client's account, any execution costs charged by that other broker-dealer typically will be charged separately to the client's account. Accordingly, clients who enrol in wrap fee programs should satisfy themselves that the program sponsor is able to provide best execution for transactions. MBSC, at its discretion, may facilitate trade execution for client transactions with a non-sponsoring firm when MBSC determines that executing the trade away from the program sponsor is in the best interest of the client.

In evaluating a wrap fee program (including UMA), clients should consider a number of factors. A client may be able to obtain some or all of the services available through a particular wrap fee program on an "unbundled" basis through the program sponsor or through other firms and, depending on the circumstances, the aggregate of any separately paid fees may be lower (or higher) than the single, all-inclusive fee charged in the wrap fee program. Payment of an asset-based fee may or may not produce accounting, bookkeeping or income tax results that differ from those resulting from the separate payment of (i) securities commissions and other execution costs on a trade-by-trade basis and (ii) advisory fees. Any securities or other assets used to establish a wrap fee program account may be sold, and the client will be responsible for payment of any taxes due. The Firm recommends that each client consult with his or her tax adviser or accountant regarding the tax treatment of wrap fee program accounts.

Wrap fee clients normally receive a disclosure brochure from the program sponsor detailing the wrap fee program prior to their selection of an investment strategy provided by the Firm which includes a description of the services provided by the program sponsor and the applicable fee schedule. The fees and features of each wrap fee program vary and therefore wrap fee program clients should consult the program sponsor's brochure for the fees and features applicable to their program. We do not act as a program sponsor of any wrap fee program. However, program sponsors may obtain brokerage, clearing and other wrap fee program services from affiliates of ours, including MBSC.

Our affiliates include: BNY Mellon Corporation, MBC Investments Corporation, BNY Mellon Investment Management (Jersey) Limited, BNY Mellon Investment Management Europe Limited, BNY Mellon Investment Management Europe Holdings Limited, BNY Mellon International Asset Management Group Limited and Newton Management Limited. Newton management Limited owns 99.99% of the Firm.

The Firm has assets under management of \$4.1bn as of December 31, 2014 all managed on a discretionary basis.

## **Item 5. Fees and compensation**

### **Separate account, sub-advisory and pooled investment vehicle fees**

We provide investment advisory separate account, sub-advisory and pooled investment vehicle services for a fee - either a flat asset-based fee, tiered asset-based fee or performance-based fee (disclosed in Item 6). Our flat and tiered asset-based fees are typically charged as an annual percentage of assets under management. They are generally calculated on the market value of the total assets under the Firm's management as of the last day of the preceding quarter end and invoiced on a quarterly basis in arrears. Unless otherwise instructed by the client, the Firm calculates the gross period management fees based upon an exact number of days per month and 365 days per year. For a withdrawal for termination, the Firm considers the actual date of withdrawal of funds a fee-earning day. For an enrichment, we do not consider the date of receipt of funds a fee-earning day except in the case of an initial funding on a new account.

We, as a Firm, reserve the right, at our sole discretion, to negotiate or modify (either up or down) the fee schedule(s) below for any client due to a variety of factors, including but not limited to: the level of reporting and administrative operations required to service an account, the investment strategy or style, the number of portfolios or accounts involved, and/or the number and types of services provided to the client. Our fees are negotiable (under certain circumstances), as such the actual fee paid by any client or group of clients may be different from the fees reflected in our standard fee schedule(s) detailed below.

The Firm may invest a client's account in pooled investment vehicles that themselves bear advisory fees and operational expenses such as transfer agent, distribution, shareholder servicing, networking, and record-keeping fees. The client account may indirectly bear these fees and expenses as an investor in such pooled investment vehicles and, as a result, the client may bear higher expenses than if you invested directly in the securities held by the pooled investment vehicle.

In addition, the investment advisory agreement may also provide that the client will incur fees and expenses in addition to the Firm's advisory fees such as custody, brokerage and other transaction costs, administrative and other expenses. Examples of other costs and expenses may include mark-ups, mark-downs and other amounts included in the price of a security, odd-lot differentials, transfer taxes, wire transfer fees and electronic fund fees. Please review the client's investment advisory agreement for more information on how we charge and collect fees.

The Firm's standard fees are as follows:

### **Separate accounts fees**

Institutional separate account – Concentrated global equity strategy

0.75% per annum on the first \$30m

0.70% per annum on the next \$30m

0.65% per annum on the next \$50m

0.60% per annum on the next \$100m

0.50% per annum thereafter

Institutional separate account – Global multi-asset, global multi-asset income, global equity, international equity, global equity income strategies

0.75% per annum on the first \$30m

0.65% per annum on the next \$30m

0.60% per annum on the next \$50m  
0.50% per annum on the next \$100m  
0.40% per annum thereafter

Institutional separate account – Emerging market equity strategy

0.75% per annum on the first \$110m  
0.70% per annum on the next \$200m  
0.65% per annum thereafter

Institutional separate account – Global bond strategy

0.28% per annum on the first \$110m  
0.20% per annum on the next \$200m  
0.15% per annum thereafter

Institutional separate account – Global dynamic bond strategy

0.35% per annum on the first \$110m  
0.30% per annum on the next \$200m  
0.20% per annum thereafter

### **Pooled investment vehicle fees**

Fees are calculated based on average daily net assets and paid to the fund quarterly in arrears. Funds may also be subject to additional charges such as custody, brokerage and other transaction costs, administrative and other expenses. Fees are not generally negotiable, though they may be waived or deferred at the discretion of the fund in accordance with the fund's offering materials. Such waivers and deferrals will cause some clients or groups of clients to pay fees that are different from the basic fee schedules disclosed in fund offering materials. Please see the applicable fund's offering materials for further information regarding fees. Further, our funds may also charge performance fees. Please see Item 6 below for more information on our performance fees.

Pooled investment vehicles – Concentrated global equity strategy

0.75% per annum on assets below \$70m

For clients with assets greater than \$70m

0.75% per annum on the first \$30m  
0.70% per annum on the next \$30m  
0.65% per annum on the next \$50m  
0.60% per annum on the next \$100m  
0.50% per annum thereafter

Pooled investment vehicles – Global multi-asset, global equity, international equity, global equity income strategies

0.75% per annum on assets below \$70m

For clients with assets greater than \$70m

0.75% per annum on the first \$30m  
0.65% per annum on the next \$30m  
0.60% per annum on the next \$50m

0.50% per annum on the next \$100m  
0.40% per annum thereafter

Pooled investment vehicles – Emerging market equity strategy  
0.75% per annum on all assets

Pooled investment vehicles – Global real return strategy  
0.75% per annum on assets below \$110m  
For clients with assets greater than \$110m  
0.65% per annum on all assets

Pooled investment vehicles – Global bond strategy  
0.30% per annum on all assets

Pooled investment vehicles – Global dynamic bond strategy  
0.40% per annum on all assets per annum on all assets

### **Wrap fee program fees**

Wrap fee clients normally receive a disclosure brochure from the program sponsor detailing the wrap fee program prior to their selection of an investment strategy provided by the Firm which includes a description of the services provided by the program sponsor and the applicable fee schedule. The fees and features of each wrap fee program vary and therefore wrap fee program clients should consult the program sponsor's brochure for the fees and features applicable to their program. We do not act as a program sponsor of any wrap fee program. However, program sponsors may obtain brokerage, clearing and other wrap fee program services from affiliates of ours, including MBSC.

For participation in the various wrap fee programs, the Firm receives compensation from the program sponsors. Compensation may be split with MBSC, an affiliated party that provides administration, trading and marketing services to the wrap programme sponsor.

### **Third party brokerage charges**

When undertaking an investment for a client, we may incur a trading or stock exchange charge. We will sometimes be offered the choice of paying for the security within the price or paying a separate trading commission. As part of the Firm's fiduciary duty, we will make a decision on the basis of what we believe to be in the best interest of the client. However, typically the total impact on the client portfolio is very small. Please see Item 12 of this Brochure for more information on our brokerage practices.



## **Item 6. Performance-based fees and side-by-side management**

Advisers are subject to certain fiduciary standards under federal law and owe clients an affirmative duty of utmost good faith to act solely in the best interests of the Firm's client and to make full and fair disclosure of all material facts, particularly where the adviser's interests may conflict with the client's best interest.

In this section, we describe our performance-based fee arrangements and our side-by-side management activities and the inherent conflicts in such arrangements.

We may, from time to time, enter into performance-based fee arrangements with institutional clients investing in both separate accounts and pooled investment vehicles. Generally, these arrangements provide for an asset based management fee ("base fee"), based on the market value of the account, including gains and losses, at specified quarter ends, plus a performance fee ("performance bonus") based on the portfolio's gross or net return in excess of a specified benchmark during a designated period of time. The performance-based bonus element is based typically (but not always) on the portfolio return relative to a market or index return.

Performance-based fees are negotiated with each client and the terms may vary. For more detailed information on how performance fees are calculated, clients should refer to their investment advisory agreement.

The Firm has experience in managing portfolios with both performance-based fees and non-performance-based fee arrangements, against the MSCI and FTSE indices, as well as peer-group universes, fixed-weight geographic benchmarks and cash-plus benchmarks. We, as a Firm, do not apply high water marks or hurdle rates as part of our performance-based compensation.

### **Performance-based fees**

#### **Concentrated global equity and emerging market equity strategies**

Performance-based pricing available upon request.

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Global multi-asset, global multi-asset income, global equity and international equity strategies (offered on assets greater than \$80m) and global equity income strategy (offered on assets greater than \$110m)

##### **Base Fee:**

0.25% per annum on the first \$110m

0.20% per annum thereafter

plus 20% performance bonus

The base fee is payable regardless of performance and is subject to a minimum fee of \$200,000 per annum (\$275,000 per annum for the global equity income strategy). The performance bonus is calculated on individual 12-month performance periods as 20% of the monetary value of the outperformance of the benchmark payable in equal installments over four years. There is an equal and opposite calculation for underperformance which is then offset against any past or future performance bonuses due.

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## **Global real return strategy (offered on assets greater than \$110m)**

### **Base Fee:**

0.65% per annum on all assets.

For the first 2 years, the base fee is charged. From 2 1/4 years onwards, the quarterly fee is keyed off cumulative since inception performance versus LIBOR in a linear manner. The quarterly fee will be in the range of 50% to 150% of base fee and is calculated on a pro rata basis as follows: every 1% over LIBOR earns another 12.5% of the base fee and an equal and opposite calculation is used for every 1% under LIBOR.

For example, actual performance of:

Libor +4% per annum equals 100% of 0.65% (base fee)

Libor +8% per annum equals 150% of 0.65% (base fee) and

Libor +0% per annum equals 50% of 0.65% (base fee)

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## **Fixed income strategies (assets greater than \$70m)**

### **Base Fee:**

0.10% per annum on all assets

plus 20% bonus

The base fee is payable regardless of performance and is subject to a minimum fee of \$70,000 per annum. The performance bonus is calculated on individual 12-month performance periods as 20% of the monetary value of the outperformance of the benchmark payable in equal installments over four years. There is an equal and opposite calculation for underperformance which is then offset against any past or future performance bonuses due.

## **Side-by-side management**

“Side-by-side management” refers to the Firm’s simultaneous management of multiple types of client accounts/investment products. For example, we manage separate accounts and pooled investment vehicles for the Firm’s clients at the same time. These clients have a variety of investment objectives, policies, strategies, limitations and restrictions.

Side-by-side management gives rise to a variety of potential and actual conflicts of interest for the Firm, its employees and supervised persons. This potential conflict may arise when the Firm is responsible for the management of more than one account and the potential arises for the investment manager to favor one account over another. The risk of such conflicts of interest could potentially increase if an investment manager has a financial incentive to favor one account over another. Below we discuss the conflicts that the Firm, its employees and supervised persons face when engaging in side-by-side management and how we deal with them. Note that certain of the Firm’s employees are also officers or employees of one or more Firm affiliates (“dual officers”). These dual officers undertake investment management duties for the affiliates of which they are officers. Please refer to Item 10 for more information on our dual officer arrangements. When we and the Firm’s affiliates concurrently manage client accounts/investment products, and particularly when dual officers are involved, this presents the same conflicts as described below.

## **Conflicts of interest relating to performance based fees when engaging in side-by-side management**

We manage accounts that are charged a performance-based fee and other accounts that are charged a different type of fee, such as a flat asset-based fee. We may have a financial incentive to favor accounts with performance-based fees because we (and our employees and supervised persons) may have an opportunity to earn greater fees on such accounts as compared to client accounts without performance-based fees. Thus, we may have an incentive to direct our best investment ideas to client accounts that pay performance-based fees, and to allocate, aggregate or sequence trades in favor of such accounts. We may also have an incentive to give accounts with performance-based fees better execution and better brokerage commissions. We mitigate these conflicts by performing portfolio reviews and by ensuring that trades are allocated on a fair and equitable basis across all accounts in a strategy, subject to legal, accounting, or other factors, such as cash availability for the investment. In addition, the investment performance on specific accounts is not a factor in determining the investment manager's compensation, thereby reducing the incentive to the manager to favour performance fee paying accounts in their allocations and investment decisions.

## **Conflicts of interest relating to accounts with different strategies**

We and our affiliates manage numerous accounts with a variety of strategies, which may present conflicts of interest. For example, taking concurrent conflicting positions in certain derivative instruments can cause a loss to one client and a gain to another. Likewise, a long/short position in two client accounts simultaneously could potentially result in a loss to one client based on a decision to take a gain in the other. However, Newton does not currently short individual equities or bonds. We also may face conflicts of interest when we have uncovered option strategies and significant positions in illiquid securities in side-by-side accounts.

To mitigate the conflict in this scenario our investment risk team is responsible for monitoring commonality between portfolios with similar objectives and against reference model portfolios. Any anomalies would be investigated for reasonability and resolved as appropriate. However, where a manager is responsible for accounts with differing investment objectives and policies, it is possible that the investment manager will conclude that it is in the best interests of one account to sell a portfolio security while another account continues to hold or increase the holding in such security.

## **Conflicts of Interest Relating to the Management of Multiple Client Accounts**

We and our affiliates perform investment advisory services for various clients. We may give advice and take action in the performance of our duties with respect to any of our other clients which may differ from the advice given, or the timing or nature of action taken, with respect another client. We have no obligation to purchase or sell for a client any security or other property which we purchase or sell for the account of any other client, if it is undesirable or impractical to take such action. We may give advice or take action in the performance of our duties with respect to any of our clients which may differ from the advice given, or the timing or nature of action taken by our affiliates on behalf of their clients.

## **Conflicts of interest relating to investment in affiliated accounts**

To the extent permissible under applicable law, we may decide to invest some or all of our temporary investments in money market accounts advised or managed by a BNY Mellon affiliate. In addition, we may invest client accounts in affiliated pooled vehicles. We may have an incentive to allocate investments to these types of affiliated accounts in order to generate additional fees for us or our affiliates. To ensure that client assets are not allocated on the basis of fee generation, we review all

available investment options to ensure that clients receive the best execution and that the investments are in the best interests of all clients.

### **Conflicts of interest relating to “proprietary accounts”**

We, our affiliates, and our existing and future employees may from time to time manage and/or invest in products managed by the Firm (“proprietary accounts”). Investment by the Firm, our affiliates, or our employees in proprietary accounts may create conflicts of interest. We have an incentive to favor these proprietary accounts by, for example, directing our best investment ideas to these accounts or allocating, aggregating or sequencing trades in favor of such accounts, to the disadvantage of other accounts. We also may have an incentive to dedicate more time and attention to our proprietary accounts and to give them better execution and brokerage commissions than our other client accounts. To mitigate this risk, these accounts are traded in line with our client accounts.

### **Conflicts of interest posed by the Newton incentive compensation plan**

Newton offers highly competitive compensation packages to its key investment professionals. These employees are rewarded using a mix of base salary, annual cash bonus and long-term incentive plan (“LTIP”); these elements combine to provide competitive total compensation packages.

The variable compensation pool available for distribution to staff is calculated as a percentage of Newton’s profits. This is then split between annual bonus awards and LTIP awards. Investment performance is, therefore, a key determinant of variable compensation as well as the long-term incentives to our investment professionals. This performance-driven culture permeates through every decision we make, across corporate decision making, and in our investment selections. We believe that our interests are well aligned with those of our clients.

### **Other conflicts of interest**

We, as a Firm, manage our accounts consistent with applicable law, and follow policies and procedures that are reasonably designed to treat our clients fairly and to prevent any client or group of clients from being systematically favored or disadvantaged. For example, we have Order and Dealing Related Policies and Procedures which are designed and implemented to ensure that all clients are treated fairly and equally, and to prevent these conflicts from influencing the allocation of investment opportunities among clients. Please see Item 12 for a summary of our key Order and Dealing Related Policies and Procedures. Conflicts of Interest and potential conflicts are formally logged by the Firm and monitored periodically.

As noted previously, we and our affiliates manage numerous accounts with a variety of interests. This necessarily creates potential conflicts of interest for us. For example, we or an affiliate may cause multiple accounts to invest in the same investment. Such accounts may have conflicting interests and objectives in connection with such investment, including differing views on the operations or activities of the portfolio company, the targeted returns for the transaction and the time-frame for and method of exiting the investment. Conflicts may also arise in cases where multiple Firm and/or affiliate client accounts are invested in different parts of an issuer’s capital structure. For example, one of our client accounts could acquire debt obligations of a company while another account acquires an equity investment. In negotiating the terms and conditions of any such investments, we may find that the interests of the debt-holding client accounts and the equity holding client accounts may conflict. If that issuer encounters financial problems, decisions over the terms of the workout could raise conflicts of interest (including, for example, conflicts over proposed waivers and amendments to debt covenants). For example, debt holding accounts may be better served by a liquidation of an issuer in which it could be paid in full, while equity holding accounts might prefer a reorganization of the issuer that would have the potential to retain value for the equity holders. As another example, holders of an

issuer's senior securities may be able to act to direct cash flows away from junior security holders, and both the junior and senior security holders may be Firm client accounts. Any of the foregoing conflicts of interest will be discussed and resolved on a case-by-case basis.

Any such discussions will factor in the interests of the relevant parties and applicable laws.

## **Item 7. Types of clients**

### **Types of clients**

The Firm provides advisory services to U.S. registered investment companies, corporate pension and profit sharing plans, Taft-Hartley plans, Voluntary Employee Beneficiary Associations ("VEBAs"), public plans, trusts, estates, charitable institutions, foundations, endowments, municipalities, and sovereign funds as well as other U.S. and international institutions.

At present, the Firm acts as sub-investment adviser to some of the registered investment companies managed by The Dreyfus Corporation ("Dreyfus"), an affiliated investment adviser.

### **Account requirements**

The Firm generally requires clients to execute a written investment management agreement with the Firm, granting the Firm authority to manage their assets. Separate accounts are subject to minimum account sizes which vary depending on the strategy, but also on the complexity of the mandate, therefore each opportunity is assessed on a case-by-case basis; they may also be subject to minimum annual fees; see Item 5 for more information. For pooled investment vehicles the minimum client investment value is typically \$5m. While this is the minimum stated account size, we may consider accepting smaller accounts depending on the nature of the client and prospective incremental funding rates, or when a relationship currently exists with the client. The Firm may elect to waive the minimum and negotiate fee rates at its sole discretion. Typically, the minimum account size is \$100,000 for wrap clients.

## **Item 8. Methods of analysis, investment strategies and risk of loss**

### **The Firm's investment process**

The current investment process, which applies to all Newton entities is characterized by an active bottom-up approach, and has been in place since Newton's inception in 1978. Over the years, we have adapted it to suit different market environments, but the core of it has remained unchanged.

Our approach to both equity and bond management is to identify the long-range driving forces or "themes" acting upon markets, to narrow down the security universe and select assets that will react to the themes, and to invest in these assets to make a difference. These themes attempt to encapsulate major trends such as changing demographics, the effects of globalization or the impact of new technologies.

This means that we are looking for the big ideas that are likely to shape the future of economics, politics and, eventually, the markets. Regardless of their area, all our investment professionals work within the global thematic context identified by the economists, strategists, global sector analysts, and investment managers.

The trends and themes are outlined by the investment strategy group who form the “big picture” context for all Newton portfolios, drawing on the expertise of various analysts and managers, as well as dedicated strategists, and is tasked with providing an economic and strategic backdrop to our security selection process. The group develops and reviews these themes regularly and then disseminates them to all investment professionals. The themes are developed to capture the key head and tail winds around the world, including economic, demographic, political, technological, and other macro forces affecting global markets.

Our investment approach is the same for both bonds and equities – rooted in our investment philosophy and the structure of our investment team. As our in-house credit and equity research analysts are based in the open-plan office in our London headquarters, there is a great level of formal and informal communication between them, which is particularly useful in analysing issuers and capital structures of companies. However, there are also certain differences in the investment processes for bonds and equities, as discussed below.

## **Investment process for equities**

### **1. Developing the research recommended lists (RRLs)**

Our global research analysts use the themes to narrow the security universe in their sectors. Once an analyst has been led to look at a security in more detail through a thematic approach, the analyst uses a variety of valuation techniques, including earnings, cash flow, asset values and cost of capital measures, to assess the stock. The measures used reflect their appropriateness for a particular sector or company. All analyst recommendations are recorded in the RRLs. Each of these lists contain about 10 of each analyst’s best ideas, ranked by degree of conviction, and form the core “menu” from which our investment managers construct portfolios. All investment professionals are made aware of any changes to the RRLs. This encourages our analysts to hold face-to-face conversations with investment managers where they can explain their reasoning for changing the RRL. The investment manager does not have to agree with the decision, but they must be aware that the change has been made.

### **2. Constructing portfolios**

Model portfolios for each key strategy form the basis of the link between idea generation and portfolio construction.

To construct models, each ‘model group’ selects securities from the RRLs (and other relevant ideas) and weights each security in relation to its view of the region and to the output of our in-house economists or strategists. Model portfolios, therefore, indicate implicit, rather than specific, position size recommendations. Client portfolios are constructed with reference to the appropriate model portfolio. There is no set formula for determining individual security weights. Our investment managers are allowed the discretion to deviate from the model to accommodate the differing objectives and risk tolerance of their clients. Deviations from the lead portfolio are closely monitored.

Individual client portfolios are constructed specifically to their particular benchmark and objective, as coordinated by the responsible investment manager. Models act as a team-driven reference point for this construction and aid consistency between similar mandates across the house. They also serve as a tool for subsequent performance monitoring in terms of commonality, risk profile and appropriateness. Lead portfolio managers are ultimately responsible for making sure that their respective portfolios have the appropriate level of total risk, as agreed with the client.

In general, when a strategy is managed against a benchmark, benchmarks are used as a guide to asset allocation weightings and performance, rather than to dictate portfolio construction. We are not constrained by absolute maximums, though country and sector weightings are rigorously monitored.

We typically buy a security when it:

- is the beneficiary of one or more of our investment themes
- has good fundamentals, and
- is attractively valued relative to its growth potential and its global peers

We typically sell a security when any of these criteria no longer applies; that is, when the quality of the company is questionable, when the thematic analysis no longer applies, or when we believe that the security has become fully valued.

### **3. Currency allocation – equities**

As ours is typically a fully invested style any cash is generally residual. Liquidity is not used systematically to increase performance. We believe that if a client wishes to obtain a degree of liquidity, the use of a cash fund would be more appropriate. Equally, we would not normally expect to increase liquidity in falling markets for defensive purposes; investment would be switched to low-risk securities instead. Liquidity is normally kept to no more than 2-3% maximum for our equity portfolios except for technical reasons, such as receipt of large inflows or the need to pay out on a large redemption.

Excess cash is typically reinvested back into the portfolio. Our investment managers do not have a specific time-line within which they must fully invest the cash available for a portfolio. They seek to invest it dependent on the market conditions and the availability of good securities.

Where cash is not reinvested the Firm may put cash out on deposit with an approved counterparty, invest it in affiliated or external money market funds, or leave it with the client's custodian who may, in turn, sweep the money into an overnight cash account. The residual cash on Pooled Investment Vehicles is generally swept by the custodian into an overnight money market fund account. This will usually be invested into a mixture of low-risk, short-term money market instruments such as CDs and short-dated Treasuries.

### **4. Assessing and controlling risk**

Assessing and controlling risk is the final step in the process. The Investment Risk Team ("IRT"), which carries out this assessment, reports to the deputy chief investment officer and works in collaboration with the investment managers.

This IRT performs quantitative analysis, using technology research systems to identify how much and what types of risks are present in client portfolios. Finally, a formal monthly meeting reviews risk exposure in all portfolios and evaluates consistency between the client portfolios and the analysts' recommendations, the model portfolios and our strategic views.

## **Investment process for fixed income**

### **1. Portfolio construction**

The investment process for bonds begins with the same strategic thematic framework that characterizes the Firm's equities investment philosophy. As with equities, model portfolios for each key type of mandate form the basis of the link between idea generation and portfolio construction. The

models express views in their purest form; they are then adapted by investment managers to reflect individual client restrictions and risk tolerance.

The overall thematic framework that characterizes our investment philosophy from a fixed income perspective is a combination of macroeconomic and yield curve analyses, supply and demand and other market dynamics.

The benchmark weightings and investment outlook for each market form the starting points for country and currency allocations. Clearly, the scope for adding value through country or currency positioning varies along with the price volatility of bond markets at any time; prioritization of portfolio allocations must accordingly recognize and reflect this dynamic.

The investment outlook driven by our over-arching themes for each market and currency forms the main driver of the allocations, with index weightings used mainly as a guide rather than for dictating “reasonable” positions. This approach reflects our view that index weightings are not particularly relevant with respect to the market outlook for each country.

Our principal source of added value varies with the available opportunities. Our methodology for security selection is to add value through four principal means: portfolio duration (maturity), yield curve position, currency allocation and country allocation.

#### **Value addedMethod**

Portfolio duration (maturity)	Determined by our themes and views on the markets
Yield curve position	Determined by aiming to choose the best returning asset within portfolio restrictions
Currency allocation	Determined by value, direction and currency demand
Country allocation	Determined by our thematic views and the combination of the currency value and yield curve positions

## **2. Currency allocation – bonds**

Our management of active currency positions is seen in the context of the total risk of the portfolio. From time to time, our thematic views lead us to overlay the portfolio with currency hedges to protect the portfolio and/or enhance returns. We engage in active currency management only if there is a strong thematic reason to take an under or overweight position relative to a client benchmark. Unless these preconditions are satisfied, we do not normally make active currency allocations.

Our currency process seeks to identify when:

- A currency is undervalued
- The direction of the currency indicates appreciation
- There is evidence of fundamental demand for the currency

Cash varies with the economic cycle, but as a rule we seek to use the yield curve to maximize returns in any given investment period. We regard 95-100% investment as being fully invested.

The Firm may put cash out on deposit with an approved counterparty, invest it into in-house or external money market funds, or leave it with the client’s custodian who may in turn sweep the money into an overnight cash account. The residual cash on pooled investment vehicles is generally swept by



the custodian into an overnight cash account. This will usually be invested into a mixture of low-risk, short-term money market instruments such as CDs and short-dated Treasuries.

### Risks involved with strategies offered

Each investment strategy that the Firm offers invests in a variety of security types and employs a number of investment techniques that involve certain risks. Investing in securities involves risk of loss that the investor should be prepared to bear.

The table below indicates the specific risks to which a strategy may be exposed. An “X” in the table indicates that the strategy involves the corresponding risk. An empty box indicates that the strategy does not involve the corresponding risk in a material way. However, an empty box does not guarantee that the strategy will not be subject to the corresponding risk.

A description of each risk type is set forth below the table and represents a general summary of the material risks involved in the investment strategies we offer. Please note that past performance is not a guide to future returns. The value of investments and the income from them can fall as well as rise and investors may not get back the original amount invested. It should not be assumed that a security has been, or will be, profitable.

	Global multi-asset strategy	Global multi-asset income strategy	Global bond strategy	Global dynamic bond strategy	Global real return strategy	Global equity strategy	Global equity income strategy	Concentrated global equity strategy	International equity strategy	Emerging market equity strategy
General risks	X	X	X	X	X	X	X	X	X	X
Clearance and settlement risk	X	X	X	X	X	X	X	X	X	X
Credit risk	X	X	X	X	X					
Concentration risk	X	X	X	X	X	X	X	X	X	X
Derivatives risk	X	X	X	X	X	X	X	X	X	X
Emerging market risk – equities	X	X			X	X	X	X	X	X
Emerging market risk – fixed income	X	X	X	X	X					
Foreign currency risk	X	X	X	X	X	X	X	X	X	X
Foreign government obligations and securities of supranational entities risk	X	X	X	X	X					
Foreign investment risk	X	X	X	X	X	X	X	X	X	X
Interest rate risk	X	X	X	X	X					
Issuer risk	X	X	X	X	X					

	Global multi-asset strategy	Global multi-asset income strategy	Global bond strategy	Global dynamic bond strategy	Global real return strategy	Global equity strategy	Global equity income strategy	Concentrated global equity strategy	International equity strategy	Emerging market equity strategy
Liquidity risk	X	X	X	X	X	X	X	X	X	X
Market risk	X	X	X	X	X	X	X	X	X	X
Allocation risk	X	X	X	X	X	X	X	X	X	X
Asian emerging market risk	X	X	X	X	X	X	X	X	X	X
Banking industry risk	X	X	X	X	X	X	X	X	X	X
Counterparty risk	X	X	X	X	X	X	X	X	X	X
Country and sector allocation risk	X	X	X	X	X	X	X	X	X	X
Country, industry and market sector risk	X	X	X	X	X	X	X	X	X	X
Government securities risk	X	X	X	X	X					
Growth and value stock risk	X	X			X	X	X	X	X	X
Growth stock risk	X	X			X	X	X	X	X	X
Investment strategy risk	X	X	X	X	X	X	X	X	X	X
Large cap stock risk	X	X			X	X	X	X	X	X
Small and mid-size company risk	X	X	X	X	X	X	X	X	X	X
Stock investing risk	X	X			X	X	X	X	X	X
Stock selection risk	X	X			X	X	X	X	X	X

- Allocation risk. The asset classes in which a strategy seeks investment exposure can perform differently from each other at any given time (as well as over the long term), so a strategy will be affected by its allocation among the various asset classes. If the strategy favors exposure to an asset class during a period when that class underperforms, performance may be hurt.
- Asian emerging market risk. Many Asian economies are characterized by over-extension of credit, frequent currency fluctuations, devaluations and restrictions, rising unemployment, rapid fluctuations in inflation, reliance on exports, and less efficient markets. Currency devaluation in one Asian country can have a significant effect on the entire region. The legal systems in many Asian countries are still developing, making it more difficult to obtain and/or enforce judgments. Furthermore, increased political and social unrest in some Asian countries could cause economic and market uncertainty throughout the region. The auditing and reporting standards in some Asian emerging market countries may not provide the same degree of shareholder/investor protection or information to investors as those in developed countries. In particular, valuation of assets, depreciation, exchange differences, deferred taxation, contingent liability and consolidation may be treated differently than under the auditing and reporting standards of developed countries.
- Banking industry risk. The risks generally associated with concentrating investments in the banking industry, such as interest rate risk, credit risk, and regulatory developments relating to the banking industry.

- Clearance and settlement risk. Many emerging market countries have different clearance and settlement procedures from developed countries. There may be no central clearing mechanism of settling trades and no central depository or custodian for the safe keeping of securities. The registration, record-keeping and transfer of instruments may be carried out manually, which may cause delays in the recording of ownership. Increased settlement risk may increase counterparty and other risk. Certain markets have experienced periods when settlement dates are extended, and during the interim, the market value of an instrument may change. Moreover, certain markets have experienced periods when settlements did not keep pace with the volume of transactions resulting in settlement difficulties. Because of the lack of standardized settlement procedures, settlement risk in emerging markets is more prominent than in more mature markets.
- Counterparty risk. The risk that counterparty in a repurchase agreement or other derivative investment could fail to honor the terms of its agreement.
- Country, industry and market sector risk. The strategy may be over weighted or underweighted, relative to the benchmark index, in companies in certain countries, industries or market sectors, which may cause the strategy's performance to be more or less sensitive to positive or negative developments affecting these countries, industries or sectors. In addition, the strategy may, from time to time, invest a significant portion (more than 25%) of its total assets in securities of companies located in particular countries, such as the United Kingdom and Japan, depending on such country's representation within the benchmark index.
- Credit risk. Failure of an issuer to make timely interest or principal payments, or a decline or perception of a decline in the credit quality of a bond, can cause a bond's price to fall.
- Concentration risk. A strategy may have a concentrated portfolio due to investment in a limited number of securities, giving rise to concentration risk. A fall in the value of a single security may have a greater impact on the strategy's value than if the strategy had a more diversified portfolio.
- Derivatives risk. A small investment in derivatives could have a potentially large impact on the strategy's performance. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value, and there is the risk that changes in the value of a derivative held by the strategy will not correlate with the underlying instruments or the strategy's other investments. Derivative instruments also involve the risk that a loss may be sustained as a result of the failure of the counterparty to the derivative instruments to make required payments or otherwise comply with the derivative instruments' terms. Certain types of derivatives involve greater risks than the underlying obligations because, in addition to general market risks, they are subject to illiquidity risk, counterparty risk and credit risk. Additionally, some derivatives involve economic leverage, which could increase the volatility of these investments as they may fluctuate in value more than the underlying instrument.
- Emerging market risk – equities. The securities of issuers located in emerging markets tend to be more volatile and less liquid than securities of issuers located in the markets of more mature economies, and generally have less diverse and less mature economic structures and less stable political systems than those of developed countries. These securities are often subject to rapid and large changes in price.
- Emerging market risk – fixed income. The securities of issuers located in emerging markets tend to be more volatile and less liquid than securities of issuers located in the markets of more mature economies, and generally have less diverse and less mature economic structures and less stable political systems than those of developed countries. The fixed income securities of issuers located

in emerging markets can be more volatile and less liquid than those of issuers in more mature economies. In addition, such securities often are considered to be below investment grade credit quality and predominantly speculative.

- Foreign currency risk. Investments in foreign currencies are subject to the risk that those currencies will decline in value relative to the U.S. dollar, or in the case of hedged positions, that the U.S. dollar will decline relative to the currency being hedged. Currency exchange rates may fluctuate significantly over short periods of time. A decline in the value of foreign currencies relative to the U.S. dollar will reduce the value of securities held by the strategy and denominated in those currencies. Foreign currencies are also subject to risks caused by inflation, interest rates, budget deficits and low savings rates, political factors and government controls.
- Foreign government obligations and securities of supranational entities risk. Investing in the sovereign debt of countries creates exposure to the direct or indirect consequences of political, social or economic changes in the countries that issue the securities or in which the issuers are located. The ability and willingness of sovereign obligors in countries or the governmental authorities that control repayment of their debt to pay principal and interest on such debt when due may depend on general economic and political conditions within the relevant country. Certain countries in which the strategy may invest have historically experienced, and may continue to experience, high rates of inflation, high interest rates and extreme poverty and unemployment. Some of these countries are also characterized by political uncertainty or instability. Additional factors which may influence the ability or willingness to service debt include a country's cash flow situation, the availability of sufficient foreign exchange on the date a payment is due, the relative size of its debt service burden to the economy as a whole and its government's policy towards the International Monetary Fund, the International Bank for Reconstruction and Development and other international agencies. The ability of a foreign sovereign obligor to make timely payments on its external debt obligations also will be strongly influenced by the obligor's balance of payments, including export performance, its access to international credits and investments, fluctuations in interest rates and the extent of its foreign reserves. A governmental obligor may default on its obligations. Some sovereign obligors in countries have been among the world's largest debtors to commercial banks, other governments, international financial organizations and other financial institutions. These obligors, in the past, have experienced substantial difficulties in servicing their external debt obligations, which led to defaults on certain obligations and the restructuring of certain indebtedness.
- Foreign investment risk. Special risks associated with investments in foreign companies include exposure to currency fluctuations, less liquidity, less developed or less efficient trading markets, lack of comprehensive company information, political or economic instability, seizure or nationalization of assets, imposition of taxes or repatriation restrictions and differing auditing and legal standards. The securities of issuers located in emerging markets can be more volatile and less liquid than those of issuers in more mature economies.
- General risks. Investing in securities involves risk of loss that the investor should be prepared to bear. We do not guarantee or represent that our investment program will be successful. Our past results are not necessarily indicative of our future performance and our investment results may vary over time. We cannot assure investors that our investments will be profitable, and in fact, investors could incur substantial losses. The investor's investments with us are not a bank deposit and are not insured or guaranteed by the FDIC or any other government agency.
- Government securities risk. Not all obligations of the U.S. government's agencies and instrumentalities are backed by the full faith and credit of the U.S. Treasury. Some obligations are

backed only by the credit of the issuing agency or instrumentality, and in some cases there may be some risk of default by the issuer. Any guarantee by the U.S. government or its agencies or instrumentalities of a security held by the strategy does not apply to the market value of such security. A security backed by the U.S. Treasury or the full faith and credit of the United States is guaranteed only as to the timely payment of interest and principal when held to maturity. In addition, because many types of U.S. government securities trade actively outside the United States, their prices may rise and fall as changes in global economic conditions affect the demand for these securities.

- Growth and value stock risk. By investing in a mix of growth and value companies, the strategy assumes the risks of both. Investors often expect growth companies to increase their earnings at a certain rate. If these expectations are not met, investors can punish the stocks inordinately, even if earnings do increase. In addition, growth stocks typically lack the dividend yield that can cushion stock prices in market downturns. Value stocks involve the risk that they may never reach their expected full market value, either because the market fails to recognize the stock's intrinsic worth, or the expected value was misgauged. They also may decline in price even though in theory they are already undervalued.
- Interest rate risk. Prices of debt securities tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect the prices of these securities and, accordingly, the value of investment. The longer the effective maturity and duration of the strategy's portfolio, the more the value of the investor's investment is likely to react to interest rates. Mortgage-related securities can have a different interest rate sensitivity than other bonds, however, because of prepayments and other factors, and may carry additional risks and be more volatile than other types of debt securities due to unexpected changes in interest rates.
- Investment strategy risk. A strategy's sustainability investment criteria may limit the number of investment opportunities available to the strategy, and, as a result, at times the strategy's returns may be lower than those of strategies that are not subject to such special investment considerations.
- Issuer risk. The value of a security may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's products or services.
- Large cap stock risk. To the extent a strategy invests in large capitalization stocks, the strategy may underperform strategies that invest primarily in the stocks of lower quality, smaller capitalization companies during periods when the stocks of such companies are in favor.
- Liquidity risk. When there is little or no active trading market for specific types of securities, it can become more difficult to sell the securities at or near their perceived value. In such a market, the value of such securities and the value of the investor's investment may fall dramatically. Liquidity risk also exists when a particular derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price. The secondary market for certain municipal bonds tends to be less well developed or liquid than many other securities markets, which may adversely affect the strategy's ability to sell such municipal bonds at attractive prices.
- Market risk. The market value of a security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. A security's market value also may decline because of factors

that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry.

- **Small and midsize company risk.** Small and midsize companies carry additional risks because the operating histories of these companies tend to be more limited, their earnings and revenues less predictable (and some companies may be experiencing significant losses), and their share prices more volatile than those of larger, more established companies. The shares of smaller companies tend to trade less frequently than those of larger, more established companies, which can adversely affect the pricing of these securities and the strategy's ability to sell these securities. These companies may have limited product lines, markets or financial resources, or may depend on a limited management group. Some of the strategy's investments will rise and fall based on investor perception rather than economic factors. Other investments are made in anticipation of future products, services or events whose delay or cancellation could cause the stock price to drop.
- **Stock investing risk.** Stocks generally fluctuate more in value than bonds and may decline significantly over short time periods. There is the chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The market value of a stock may decline due to general market conditions that are not related to the particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates, or adverse investor sentiment generally. A security's market value also may decline because of factors that affect a particular industry, such as labor shortages or increased production costs and competitive conditions within an industry, or factors that affect a particular company, such as management performance, financial leverage, and reduced demand for the company's products or services.

## **Item 9. Disciplinary information**

The Firm does not have any disciplinary information to report and is not a defendant in any litigation.

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 the Firm. 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. The Firm was not a defendant to any of these actions. On March 19, 2015, BNY Mellon announced that it has resolved substantially all of the foreign exchange ("FX") related actions currently pending against BNY Mellon, resulting in a total of \$714 million in settlement payments.

## **Item 10. Other financial industry activities and affiliations**

Newton Investment Management Limited (“NIM”) is the UK based investment affiliate that provides a number of different services to the Firm such as research and performance measurement. All investment personnel of the Firm are also employees of NIM. “Newton”, throughout this document, refers to the following companies: NIM and the Firm, both of which are 100% owned subsidiaries of Newton Management Limited (“NML”). The Firm, NCM LLC, NIM, NML, the Bank and Dreyfus are all 100% owned by BNY Mellon.

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 Investment 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.

In addition to the investment advisory service provided by the Firm and outlined in Item 4, discretionary portfolios are also managed by certain Firm personnel acting in their capacity as dual officers (“dual officers”) of The Bank of New York Mellon, an affiliated New York State chartered bank (the “Bank”) for the purpose of performing investment management functions.

Furthermore, 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 the 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 are likely to 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, 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 the Firm, 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.

### **BNY Mellon incentive compensation plan**

BNY Mellon has adopted an incentive compensation program (“Program”) designed to:

- 1) Help clients understand and gain access to the full range of products and services offered by BNY Mellon and its subsidiaries; and
- 2) Expand and develop client relationships.

The Program promotes BNY Mellon’s corporate values of Client Focus, Trust, Teamwork and Outperformance by encouraging the cross-selling of BNY Mellon’s broad array of services and products throughout the organization to better meet a current or prospective client’s full range of needs for financial products and services, and to expand customer relationships. The Program seeks to financially reward (via bonus or referral fee) eligible employees who offer a business lead that results in a sale of certain affiliated products or services to existing clients and prospects. These bonuses and referral fees may be paid to us and our employees for referring business (services or products) to our affiliates, and our affiliates and their employees may receive bonuses and referral fees for referring business to us. The bonuses and referral fees may be based on the number of referrals made and/or the revenue generated by the referral. Certain types of regulated entities, employees and referrals may be ineligible for the Program or subject to restrictions under applicable law or internal procedures governing the earning of such rewards. These referral fees and bonuses may create conflicts of interest for us and our employees because we have an incentive to encourage our clients to engage in transactions with our affiliates, based on the compensation that we will receive for these referrals, rather than our clients’ needs.

### **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 the Firm, its 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 other BNY Mellon products (e.g. a private fund).

### **Dual officers and employees**

Certain Firm personnel act as officers of The Bank of New York Mellon (“Bank”), an affiliated New York State chartered bank, for the purpose of performing investment management and related functions. In their capacities as officers of the Bank, these Firm personnel provide discretionary



investment advisory services to certain collective investment funds of the Bank and NCM will receive a fee for such services.

We may also provide sub-advisory services to certain affiliated registered investment companies by serving as a sub-adviser to Dreyfus. For such services, we receive a portion of the investment management fee received by Dreyfus from each investment company to which it renders advice.

### **Other relationships**

In addition, BNY Mellon personnel, including certain Firm 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 the Firm and its 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 other product (e.g. a private fund), or other dealings with a private fund, that create incentives for them to promote a private fund.

Some of our clients may retain consulting firms to assist them in selecting investment managers. Some consulting firms provide services to both those who hire investment managers and to an investment management firms, and we may provide separate advisory services directly or indirectly to employees of such consulting firms. We may pay to attend conferences sponsored by consulting firms and/or purchase services from consulting firms where we believe those services will be useful to us in operating our investment management business. We do not pay referral fees to consultants. However, our clients and prospective clients should be aware that consulting firms might have business relationships with investment management firms that they recommend to their clients.

BNY Mellon maintains, and we have adopted, a Code of Conduct that addresses these types of relationships and the potential conflicts of interest they may present, including the provision and receipt of gifts and entertainment.

BNY Mellon, among several other leading investment management firms, has a minority equity interest in Luminex Trading and Analytics, LLC (“Luminex”), a registered broker-dealer under the Exchange Act, which was formed for the purpose of establishing and operating a “buy-side” owned and controlled electronic execution utility for trading securities (the “Alternative Trading System”). Transactions for clients for which we serve as adviser or sub-adviser may be executed through the Alternative Trading System. We and BNY Mellon disclaim that either is an affiliate of Luminex.

### **Affiliated broker-dealers and investment advisers**

We are affiliated with a significant number of advisers and broker-dealers. Please see Form ADV, Part I - Schedule D, Section 7.A for a list of our affiliated advisers and broker-dealers. Several of our investment adviser affiliates have, collectively, a significant number of investment-related private funds for which a related person serves as sponsor, general partner or managing member (or equivalent), respectively. Please refer to the Form ADV, Part I – Schedule D, Section 7.B for

each of our affiliated investment advisers for information regarding such firm's private funds (if applicable) and such firm's Form ADV, Part I – Schedule D, Section 7.A for information regarding related persons that serve in a sponsor, general partner or managing member capacity (if applicable).

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 have broker selection policies in place that require our selection of a broker-dealer to be consistent with its duties of best execution, and subject to any client and regulatory proscriptions. Please refer to Item 12 for more information on our broker selection process.

We may be prohibited or limited from effecting transactions for clients 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. Please see Item 12 for a discussion of trade aggregation issues.

### **Affiliated underwriters**

The Firm's 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 the Firm's 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).

### **Affiliated Banking**

BNY Mellon engages in trust and investment business through various banking institutions, including the Bank and BNY Mellon, National Association. These affiliated banking institutions may provide certain services to us, such as recordkeeping, accounting, marketing services, and referrals of clients. We may provide the affiliated banking institutions with sales and marketing materials regarding our investment management services that may be distributed under the name of certain marketing "umbrella designations" such as BNY Mellon, BNY Mellon Wealth Management, BNY MAM, and BNY IM, BNYM IM EMIA and BNY IM APAC. We may provide certain investment advice and/or security valuation services to the Bank. We also provide certain investment advisory and trading services to certain Bank clients and separately managed accounts (including separately managed accounts for which the Bank acts as trustee, custodian, or investment manager). Certain of our employees are also officers of the Bank. In their capacity as officers of the Bank, our personnel provide discretionary investment advisory services to certain clients and also to certain collective investment funds of the Bank and we receive a fee for such services. In addition, our primarily institutional and employee benefit and foundation clients and our affiliated employee benefit plan may invest in certain collective investment funds of the Bank.

Certain clients may have established custodial or sub-custodial arrangements with the Bank and other financial institutions that are affiliated with us. Furthermore, the Bank and other financial

institutions that are affiliated with us may provide services (such as trustee, custodial or administrative services) to issuers of securities. Because of their affiliation with us, our ability to purchase securities of such issuers and to take advantage of certain market opportunities may be subject to certain restrictions and in some cases, prohibited.

## **Item 11. Code of ethics, participation or interest in client transactions, personal trading**

BNY Mellon has a formal Code of Ethics which has been adopted by the Firm. The BNY Mellon Code of Ethics outlines ethical behavior and guidelines for monitoring and promoting compliance with all applicable laws. The code of ethics applies to all employees globally.

All employees of the Firm must adhere to the BNY Mellon Code of Ethics which lays out the general guidelines of professional conduct expected from employees in their interactions with customers, prospective customers, competitors, suppliers, the outside community and fellow employees.

A copy of the Code of Ethics will be provided upon request.

The BNY Mellon Code of Ethics 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 the framework and sets the expectations for business conduct to its employees. In addition, it clarifies the Firm’s 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 record-keeping: 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 record-keeping; 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 the Firm's reputation for integrity by avoiding even the appearance of impropriety and to ensure compliance with applicable laws in the conduct of the Firm's 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 the Firm's employees is classified as one of the following:

- 1) Investment employee ("IE"): IEs are employees who, as part of their responsibilities, have access to non-public information regarding any advisory client's purchase or sale of securities or non-public 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 investment 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.

#### **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 performed 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) BNY Mellon/the Firm has 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 BNY Mellon 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 BNY Mellon securities within any 60 calendar day period);
- 7) With respect to non-BNY Mellon 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; and
- 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.

## **Interest in client transactions**

Note that while each of the following types of transactions present conflicts of interest for us, as described below, we manage the Firm's accounts consistent with applicable law, and we follow procedures that are reasonably designed to treat the Firm's clients fairly and to prevent any client or group of clients from being systematically favored or disadvantaged.

### Principal Transactions

"Principal transactions" are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys any security from or sells any security to any client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated pooled investment vehicle and another client account. We do not typically engage in principal transactions

### Cross Transactions

From time to time securities to be sold on behalf of a client may be suitable for purchase by another client. In such instances, if we determine in good faith that the transaction is in the best interest of each client, then we may arrange for the securities to be transferred between the client accounts at an independently determined fair market value (a "cross trade"). Cross trades present conflicts of interest, as there may be an incentive for us to favor one client to the cross trade over the other. For example, if one client account pays performance fees to us, while the other client account pays only asset-based fees, we would have a financial incentive to favor the performance fee paying account in the cross-trade. However, note that cross trades are subject to Advisers Act restrictions and prohibited by ERISA, and will only be undertaken by us as permitted under applicable law. To mitigate these conflicts, we do not receive fees or commissions when making these trades and we execute these trades in the market to ensure fair and equitable treatment.

### Transactions in Same Securities

We or the Firm's affiliates may invest in the same securities that we or our affiliates recommend to clients. When we or an affiliate currently holds for our own benefit the same securities as a client, we could be viewed as having a potential conflict of interest. For example, we or our affiliate could be seen as harming the performance of the client's account for our own benefit if we short-sell the securities in our own account while holding the same securities long in the client account, causing

the market value of the securities to move lower. If the Firm's investment managers make inconsistent trading decisions, the basis for those decisions must be documented, and will be reviewed by the Firm's risk management group.

In addition, the Firm's independent investment risk team actively monitors the dispersion of performance returns between portfolios of similar mandates, ensuring that there is a high degree of commonality across the research and model and live portfolios. The Firm's clients can therefore be assured that their portfolio will not be reliant solely on the ideas of a single portfolio manager.

#### Interests in Recommended Securities/Products

The Firm or its affiliates may recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that we or one of the Firm's affiliates buys or sells the same securities for the Firm's (or the affiliate's) own account. This practice may give rise to a variety of potential conflicts of interest, particularly with respect to aggregating, allocating and sequencing securities being purchased on both the Firm's (or its affiliate's) behalf and the Firm's clients' behalf. For example, we could have an incentive to cause a client or clients to participate in an offering because we desire to participate in the offering on the Firm's own behalf, and would otherwise be unable to meet the minimum purchase requirements. Likewise, we could have an incentive to cause the Firm's clients to participate in an offering to increase the Firm's overall allocation of securities in that offering, or to increase the Firm's ability to participate in future offerings by the same underwriter or issuer. On the other hand, we could have an incentive to cause the Firm's clients to minimize their participation in an offering that has limited availability so that we do not have to share a proportionately greater amount of the offering to the client. Allocations of aggregated trades might likewise raise a potential conflict of interest as we may have an incentive to allocate securities that are expected to increase in value to the Firm. See Item 12 for a discussion of the Firm's brokerage and allocations practices and policies (we do not typically trade for the Firm's own account). Further, a potential conflict of interest could be viewed as arising if a transaction in the Firm's own account closely precedes a transaction in related securities in a client account, such as when a subsequent purchase by a client account increases the value of securities that were previously purchased for the Firm.

The Firm has a fiduciary duty to manage all client accounts in a fair and equitable manner. We strive to provide the best execution of all securities transactions and aggregate and then allocate securities to client accounts in a fair and timely manner. To accomplish this, the Firm has developed policies and procedures designed to mitigate and manage the potential conflicts of interest that may arise. A description of these is included below.

On occasion, we may recommend the purchase or sale of securities that are issued by our parent company, BNY Mellon, or underwritten by its affiliate, BNY Mellon Capital Markets, LLC, for client accounts if such recommendation or purchase or sale is in accordance with the client's guidelines and applicable law. In addition, we or a related person may recommend the purchase of securities in certain non-US public funds (EG UCITS funds) which we manage and for which we may serve as sole director or managing member or collective investment funds maintained by the Bank (which are managed by our Firm personnel in their roles as dual officers of the Bank and for which we receive a fee and the Bank may receive a custodial fee for custody services). The Firm, its employees, and our related persons currently invest in certain non-US public funds (eg UCITS funds) or collective funds that may also include client assets managed by us, and we and such related persons will receive proportional returns associated with our investment. Additionally, we may receive an investment management fee in our capacity as investment adviser or sub-adviser

and related persons (including affiliated broker-dealers) may receive certain amounts associated with placement agent fees, custodial fees, administrative fees, loads, or sales charges.

#### Investments by Related Persons and Employees

We and our existing and future employees, our board members, and our affiliates and their employees may from time to time invest in products managed by us. We have developed policies and procedures to address any conflicts of interest created by such investment. We are part of a large diversified financial organization that includes banks and broker-dealers. As a result, it is possible that a related person may, as principal, purchase securities or sell securities for itself that we also recommend to clients. We do permit our employees to invest for their own account within the guidelines and restrictions of the Code of Ethics, as described above. For more information, please see “Interests in Recommended Securities/Products” in this Item 11, and “Dual Officers and Employees” and “Affiliated Underwriters/Trustees” in Item 10 with regard to purchases of securities in an offering where an affiliate acts as underwriter or a member of the underwriting syndicate.

#### Agency Transactions Involving Affiliated Brokers

Neither we nor any of our officers or directors, acting as broker or agent, effects securities transactions for compensation for any client. We are part of a large diversified financial organization that includes broker-dealers. As a result, it is possible that a related person, other than our officers and directors, may, as agent, effect securities transactions for our clients for compensation. Please also see Item 10 and Item 12 for additional information relating to affiliate arrangements and with regard to purchases of securities in an offering where an affiliate acts as underwriter or a member of the underwriting. Please also see Schedule D, Section 7A of our Form ADV Part 1 for a list of broker-dealers which are our affiliates.

## **Item 12. Brokerage practices**

### **Broker selection**

With the exception of the wrap fee programs, the Firm has the authority to direct securities transactions on behalf of our clients to broker-dealers we select. In doing so, we seek best execution of such transactions. When seeking best execution, we consider the full range and quality of a broker's services including, among other things, commission rates, a broker's trading expertise, reputation and integrity, facilities, willingness and ability to commit capital, access to under-written offerings and secondary markets, reliability both in executing trades and keeping records, fairness in resolving disputes, value provided, execution capability, financial responsibility and responsiveness to the Firm.

We may cause client accounts to pay a broker or dealer executing securities transactions a commission higher than the commission another broker or dealer would have charged for executing that securities transaction, where we determine in good faith that the commission is reasonable in relation to the value of the research services and products provided by such broker-dealer.

Section 28(e) of the Securities Exchange Act of 1934 provides a safe harbor that allows an adviser to use dollars generated from brokerage commissions from client transactions ("soft dollars") to pay for brokerage and research services provided by broker-dealers or third parties. In the selection of qualified brokers to execute certain transactions, a broker or dealer may be selected that provides, along with trade execution services, proprietary or third party brokerage and research services and products. Such services and products may include:

1. models and research databases;
2. company, industry and market analysis;
3. market data;
4. security exchange pricing and news services; and
5. independent or proprietary research.

### **Soft Dollars**

The term 'soft dollars' is commonly understood to refer to arrangements where an investment adviser uses client (or fund) brokerage commissions to pay for research and brokerage services to be used by the investment adviser. Section 28(e) of the Securities Exchange Act of 1934 provides a safe harbor that allows an adviser to use dollars generated from brokerage commissions from client transactions ("soft dollars") to pay for brokerage and research services provided by broker-dealers or third parties. In the selection of qualified brokers to execute certain transactions, a broker or dealer may be selected that provides, along with trade execution services, research services. The non-execution service used is research services which augments our investment research process.

The use of full service commission is beneficial to all our clients as it enables us to access value added non-execution and execution services. We will not enter into minimum or maximum commission rate agreements.

The use of client commissions to obtain research services benefits us because we would otherwise be unable to receive them. Further, certain research services received may benefit: 1. certain other accounts also under our management; 2. nondiscretionary accounts of affiliates over which we



retain investment discretion. Services obtained by us may not necessarily benefit a client whose commissions are used to pay for those services.

Soft dollar payments are based on brokerage commissions charged by the broker-dealers through which we execute transactions. Different commission rates can apply in different markets, particularly some emerging markets. Brokerage commission payments require that we make subjective judgments regarding the quality and timeliness of a broker-dealer's execution and research services, and place transactions accordingly. We may have an incentive to select a broker-dealer based on our interest in receiving the research rather than receiving the lowest commission rates.

### **Wrap fee program trading**

Where the Firm is retained to provide investment advisory services in connection with a wrap fee program, the program sponsor typically provides execution services and the Firm does not negotiate on the client's behalf brokerage commissions or other costs for the execution of transactions in the client's account. Such execution costs are normally included in the all-inclusive fee charged by the program sponsor. Clients who enrol in wrap fee programs should satisfy themselves that the program sponsor is able to provide best price and execution of transactions. Please see Item 1 for more information on wrap fee programs and the trading arrangements. Please see Item 10 for more information on conflicts associated with wrap fee programs.

### **Client commissions**

The Firm receives broker and independent research services under commission sharing arrangements ("CSAs"). Research paid for under CSAs must meet all of the following criteria:

- Is capable of adding value to the investment or trading decisions by providing new insights that inform the investment manager when making such decisions about its clients' portfolios
- Whatever form its output takes, it represents original thought, in the critical and careful consideration and assessment of new and existing facts, and does not merely repeat or repackage what has been presented before
- Has intellectual rigor and does not merely state what is commonplace or self-evident and
- Involves analysis or manipulation of data to reach meaningful conclusions

### **Execution**

In addition, the following brokerage practices may lead to an actual or potential conflict of interest when selecting broker-dealers to execute client trades:

1. receiving client referrals from a broker-dealer;
2. acting on a client's direction to use a particular broker-dealer; and
3. using affiliated broker-dealers.

### **Brokerage for client referrals**

We do not direct securities transactions to any broker-dealer in exchange for referral of investment management clients.

**Directed brokerage**

We may accept direction from a client to place specific transactions for a client's account with a particular broker-dealer or commission recapture agent. In the event that such direction occurs, we may have limited capability to negotiate commission levels or obtain volume discounts. In addition, in meeting the client's brokerage directive, we may not be able to aggregate these transactions with transactions that we effect for other accounts we manage and we may delay placing the orders for directed transactions until our orders for other accounts have been completed. As a result, the net price paid or received by the directed transactions may be different than the price paid or received by our other accounts. Directing brokerage may cost clients more money and we may not carry out directed brokerage if we feel that we may not receive best execution for all our clients.

**Trade aggregation and trade allocation**

Where possible, Newton will aggregate client orders together to form bulk orders. Where these occur, we adhere to regulatory guidelines on the allocation of securities between different funds. Transactions are allocated across portfolios on a pro rata basis.

We may aggregate transactions for our accounts and affiliated accounts managed by our employees as officers of such affiliates. We may also aggregate trades for our clients with trades for proprietary accounts, such as retirement plans in which our employees are participants, and mutual funds in which the Firm's or affiliates' employees have invested. Generally, when trades are aggregated, each account within the block will receive the same price and commission. Subject to cash considerations, orders entered for accounts within the same strategy/product group or for accounts managed by the same portfolio manager for the same security over the course of day will be allocated to all underlying accounts based on the average price of the security. However, random allocations of aggregate transactions may be made to minimize custodial transaction costs. In addition, at the close of the trading day, when reasonable and practicable, the completed shares of partially filled orders will be allocated to each participating account in the proportion that each order bears to the total of all orders (subject to rounding to "round lot" amounts).

For several reasons, including but not limited to liquidity constraints and the use of limit orders, orders placed in certain emerging markets securities may take several days to fill. Primarily due to custodial transaction costs that accounts may incur as a result of multiple orders in the same security over a series of days it is often more beneficial to not allocate partial fills on a pro rata basis across all participating accounts. In general, if an account is not allocated shares of a stock on day one, it is likely to receive an allocation the next time the Firm trades that stock. This should result in accounts within the same strategy/product group having similar weights and holdings over time. This may result in some accounts in the same strategy/product group getting a more favorable price for certain securities than other accounts. Portfolios are monitored to ensure that no client, or group of clients, is advantaged or disadvantaged over time.

Transactions must be allocated either before trading, or as soon as possible after the trade is executed. This is the responsibility of the Firm's investment process support team (IPST), which works in conjunction with the traders and the portfolio managers to ensure impartiality.

In normal circumstances, it is expected that if an order cannot be filled so that every participating client receives full entitlement, then the trade should be allocated on a pro rata basis across all clients. However, where this would result in a client having a security holding that is uneconomic or too small in relation to the total portfolio, it is not in the client's interests to receive an allocation. In such cases, the portfolio manager may decide to forego any allocation for that client. The IPST is

responsible for ensuring that, where an order is only partially executed, it is allocated fairly among the participating clients.

A security is bought or sold until all clients are satisfied, and allocations are made on the basis of volume-weighted average prices. This ensures compliance with regulations and objectivity across portfolios. Every aspect of the trade is recorded for each client, and samples are reviewed by the Firm's compliance and internal audit teams.

### **Trading in initial public offerings**

We have a written procedure in place for initial public offering (IPO) trading. Generally, IPO securities are allocated on a pro rata basis. If in some situations, the size of the allocation is too small to provide a meaningful position to all accounts, a collective decision is taken to allocate to the most suitable accounts.

In determining which accounts are the most suitable the following guidelines are followed:

- Internal pooled funds which contain money of existing clients, and funds that cannot invest in the pooled funds will have priority.
- Funds with a significant position of their benchmark in the area of the issue should receive stock.
- Remaining stock will go to portfolio managers by assets depending on desired weighting. IPST will liaise with managers to determine which accounts receive an allocation after reviewing previous IPO recipients.
- IPST will also avoid leaving funds with a negligible holding.

If the allocation is not an exact pro rata, the accounts that benefit are recorded on a log to ensure a fair and equitable distribution of IPO allocations across all clients over time.

Where an IPO is oversubscribed, the Firm does not over inflate its subscription.

### **Trade Errors**

Trade errors detected after the trade has settled. The Firm's policy is to put the client in the position the client would have been in had the error not occurred. The Firm applies zero threshold to errors and therefore captures all errors and near misses irrespective of the size of the potential gain or loss. In calculating any potential compensation the Firm will consider all relevant factors. If the error results in a loss to the client, the Firm shall compensate the client for such loss, subject to this not breaching any guidelines or restrictions. In determining the amount of loss, the Firm may agree with the client an appropriate method of calculation considering circumstances surrounding the error. If the error gives rise to an absolute profit, the client shall retain the profit. If the error gives rise to both a profit and a loss, the Firm may aggregate the profit and the loss and only compensate the Client the net amount of any such profit or loss. If an error on a client account results in a small gain (where transaction costs and other related circumstances outweigh the benefit to the client), the Firm can request to have the gain retained in the corporate account. If a trade is duplicated in error, the client will receive the price related to the original (first) transaction. Any loss or gain from the erroneous duplicate transaction will be borne by the Firm.

### **Item 13. Review of accounts**

The Firm's investment managers and client relationship managers review all client accounts with the client at least once a year or more frequently as agreed with the Firm and the client at the discretion of the Firm. Ad hoc reviews may also occur and could be triggered by a number of different factors, for example, a change of investment manager. These reviews are typically carried out via face-to-face meetings or conference calls and typically involve a detailed analysis of the portfolio.

Where appropriate, each client receives a report on the performance of their portfolio on a quarterly basis; this may include a portfolio valuation, accompanying cash and trading statements, a comparison of performance against the agreed benchmark and a market commentary.

Where clients have provided a specific instruction, we send out the Firm's monthly valuation reports within eight (8) working days of the month end. Quarterly reports are generally sent out within eighteen (18) working days after the end of the previous quarter.

### **Item 14. Client referrals and other compensation**

#### **Affiliated marketers**

In 2006, we set up a separate U.S.-based sales and marketing subsidiary, Newton Capital Management LLC ("NCM LLC"). NCM LLC offers sales and marketing services to clients in North America on behalf of the Firm. Certain of the employees of NCM LLC are also registered representatives of MBSC. NCM LLC is not registered with the SEC and employees of NCM LLC do not receive any compensation or commissions in connection with referrals to the Firm or the sale of securities managed by the Firm.

#### **Affiliated solicitors and placement agents**

Our ultimate parent, BNY Mellon, has organized its lines of business into two groups: Investment Management and Investment Services (collectively "Groups"). We are part of the Investment Management Group. A sales force has been created to focus on developing new customer relationships and developing and coordinating large complex existing customer relationships within those Groups.

In certain circumstances, Investment Management sales representatives are paid fees for sales. The fees may be based on revenues and may be a one-time payment or paid out over a number of years. In addition, our sales representatives and sales representatives of our affiliates within the Investment Management Group are paid for intra-Group referrals to Group counterparts. Those fees are based on the first year's revenue for the Group counterpart.

Sales of any alternative investment products (such as private funds) may be made through a broker-dealer affiliate. Only registered representatives of such broker-dealer receive compensation for sales of alternative investments.

We may pay a fee to an affiliate (or directly to employees of the affiliate) that has a pre-existing relationship with a new client in the Investment Services Group. The fees may be based on revenues and may provide for a one-time payment or payments over a number of years.

## **Item 15. Custody**

Rule 206(4)-2 under the Advisers Act (the “Custody Rule”) defines “custody” to include a situation in which an adviser or a related person holds, directly or indirectly, client funds or securities or has any authority to obtain possession of them, in connection with advisory services provided by the adviser. For purposes of the Custody Rule, we are deemed to have “custody” of certain client assets because certain client funds or securities are held by qualified custodians owned and controlled by The Bank of New York Mellon which are “related persons” of the Firm.

Generally, an adviser that is deemed to have custody of a client’s funds or securities, among other things, is required to arrange for an annual independent verification of such funds or securities in accordance with the Custody Rule (the “Surprise Exam Requirement”). However, the Custody Rule contains an exception from the Surprise Exam Requirement provided the adviser and the related person are “operationally independent.” We have determined that our operations are independent from those of the qualified custodians holding NCM client funds and securities. Furthermore, under the terms of the agreements between our clients and the qualified custodians, NCM does not have any authority over the assets and funds within the account beyond discretionary trading authority.

Discretionary Investment Advisory Clients contracted directly with NCM should regularly receive from your appointed bank, broker-dealer or other qualified custodian an account statement, identifying the amount of funds and each security in the account at the end of the period and setting forth all transactions in the account during that period. Please review these statements carefully. You will also receive account statements separately from us. You are strongly urged to compare the account statements you receive from us with those that you receive from your qualified custodian.

## **Item 16. Investment discretion**

For separate accounts, the Firm typically accepts discretionary investment authority over client assets, and clients must grant this discretionary authority to the Firm in writing via a contract (otherwise known as an Investment Management Agreement). In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objective(s), guidelines, permissions and restrictions for the particular client account, and as agreed between the Firm and client. In most instances the investment guidelines and restrictions to be adhered to will be written and attached as Schedule(s) to the investment management agreement. Where the Firm has investment discretion for wrap fee programs, we will exercise any such investment discretion in a manner consistent with the stated investment policies and guidelines, and a stated investment objective as set out in the relevant agreement.

For pooled investment vehicles, the Firm also has discretionary investment authority, and must adhere to and follow the investment objective(s) and set of investment policies and/or guidelines of the vehicle rather than tailoring to individual client needs. These vehicles are not able to impose individual investment restrictions on the Firm’s investment strategies for underlying investors in these pooled investment vehicles.

## **Item 17. Voting client securities**

Newton's approach to responsible investment, which extends to the exercise of voting rights, has been formulated and approved by Newton's Responsible Investment Oversight Committee. Newton's Responsible Investment Policies and Principles document can be found on its website.

For separate account clients, it is Newton's intention to exercise voting rights in all markets. In certain markets, shares may be 'blocked' when exercising voting rights. In these markets, Newton will vote only when the resolution is not in shareholders' best interests and where restricting the ability to trade does not risk adversely affecting the value of clients' holdings. The exercise of voting rights involves the head of corporate governance, head of responsible investment and responsible investment analysts in collaboration with the global sector analysts and portfolio managers. Voting decisions are based on a balanced view of Newton's investment rationale, the company's unique situation together with the company's adherence to relevant corporate governance codes and guidelines. Where a potential conflict of interest exists between Newton, the investee company and/or a client, the recommendations of the voting service provider will take precedence.

For clients who are interested in a pooled fund arrangement, the Firm does not have an authority to exercise underlying voting rights and the exercise of proxy voting may differ currently. Please contact us for more details.

## **Item 18. Financial condition**

In certain circumstances, registered investment advisers are required to provide you with financial information or disclosures about their financial condition in this Item. The Firm has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has never been the subject of a bankruptcy proceeding.