



Form ADV Part 2A: Firm Brochure

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This brochure provides information about the qualifications and business practices of Quantitative Management Associates LLC (QMA). If you have any questions about the contents of this brochure, please contact us at 973.367.7669 and/or clark.pellington@qmassociates.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

QMA is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about QMA is also available on the SEC's website at www.adviserinfo.sec.gov.

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Item 2 – Material Changes

This brochure updates our prior brochure dated August 1, 2014. No material changes are disclosed in this brochure since our prior brochure dated August 1, 2014.

Currently, our brochure may be requested by contacting Clark Pellington, our Chief Compliance Officer, at 973.367.7669 or clark.pellington@qmassociates.com.

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Item 4 – Advisory Business

Our Firm

QMA is an SEC-registered investment adviser organized as a New Jersey limited liability company. When we use the terms “we,” “us” and “our” in this brochure, we are referring to QMA.

Our investment team began managing U.S. equity accounts for institutional clients in January 1975. For many years, the team operated as a unit within Prudential Investment Management, Inc. (PIM), which is one of the asset management companies of Prudential Financial, Inc. (Prudential Financial). Subsequently, QMA became a wholly-owned subsidiary of PIM and an investment adviser registered with the SEC. The team has conducted its investment management activities as QMA since July 2004.

QMA is an indirect, wholly-owned subsidiary of Prudential Financial, a publicly held company (NYSE Ticker "PRU").

In addition to being a registered investment adviser, QMA is also a member of the National Futures Association and is registered as a commodity trading advisor with the Commodity Futures Trading Commission.

Our Advisory Business in General

QMA offers a broad array of advisory services, including active and passive equity investment management as well as asset allocation strategies that invest across a range of asset classes.

- **Our Quantitative Processes.**

We specialize in the utilization of quantitative methods to guide investment decisions and employ both proprietary and non-proprietary analytical tools and models to help direct our investment choices. Specific models vary with the corresponding investment strategy. For example, models range from straightforward algorithms intended to help our index strategies replicate benchmark indices to more complex models that help identify attractive individual securities and combine them into portfolios underlying actively managed equity strategies. Our proprietary quantitative models are our intellectual property. Although many of our investment decisions derive primarily from the output of our models, our portfolio managers also apply oversight and judgment to that output.

We believe that research is the cornerstone of a successful investment organization and we are continually seeking ways to enhance our investment processes. As a result of our ongoing in-house research, our models may change from time to time. We consider these research-based enhancements and changes to be a normal part of our investment processes.

- **Our Advisory Services.**

We offer a variety of actively and passively managed (the latter commonly referred to as indexing) equity strategies managed against US, non-US and custom benchmarks. Some strategies may take both long and short positions in individual securities depending upon the specific investment objective and client guidelines. As described below under “Customization of our Advisory Services,” we do not believe that “one size fits all,” and strive to meet the specific needs of each institutional and subadvised client.

In addition to strategies that emphasize individual security selection, we also offer asset allocation strategies. These strategies allocate assets among multiple asset classes and management styles in accordance with our evaluations of their corresponding investment potential and client guidelines. Depending upon investment objectives, these asset classes may include publicly traded equity and fixed-income securities, as well as real estate, commodities, currencies and other non-traditional asset classes. Affiliated investment advisers or third parties, as well as QMA, may manage assets held in the underlying portfolios that invest in these asset classes. (See Item 10 for additional information regarding our relationships with affiliated entities.)

We also offer tailored solutions to meet client-specific risk-return objectives by structuring combinations of derivatives and non-derivative securities. For example, we offer a strategy designed to provide upside equity participation while attempting to reduce downside risk over the course of a market cycle, by investing in a combination of fixed-income securities, options and financial futures.

Customization of our Advisory Services

Our investment management agreements and sub-advisory agreements with clients typically include investment guidelines that are negotiated to incorporate mutually acceptable terms. Under these agreements, clients may impose limitations on our investment positions. The investment guidelines may, for example, restrict the types of securities or instruments (such as derivatives or interests in commingled funds) in which we invest for the client. They may prohibit us from investing in particular issuers or industries. They may limit the percentage of portfolio assets that we may invest in single issuers, types of securities or industries. They may limit the amount of cash that we can hold in the portfolio. A client may also require us to comply with the client’s investment policies and procedures applicable to its external investment managers. On occasion, in our discretion, we may tailor certain features of our models and risk parameters at the request of a client with the objective of achieving a client-specific investment goal. Such changes would apply to that client only.

Certain Non-Discretionary Advisory Services

We do not currently participate in any wrap fee programs, but we do provide certain investment advisory services to an unaffiliated managed account program sponsor on a non-discretionary basis. These services consist of the furnishing of model portfolios in various strategies, which

the program sponsor may choose to employ in its management of accounts under one or more managed account programs. We do not effect or arrange for the purchase or sale of any securities in connection with these services. The program sponsor charges a single program fee to its clients for all services provided under the program, and pays its advisers, including QMA, a portion of that fee for the services rendered to the program sponsor. We seek to manage these non-discretionary model portfolios and our discretionary institutional accounts in a similar manner within the same strategy.

We also offer non-discretionary asset allocation model portfolios on affiliated and unaffiliated platforms. The platform sponsors make our model portfolios available to investors, generally through intermediaries such as financial planners. We do not have discretion over the implementation of these models in individual investor portfolios.

Our Assets Under Management

As of December 31, 2014, our assets under management were as follows:

- Discretionary: \$113,073,566,071
- Nondiscretionary: \$0

Note that we do not include assets managed by other persons based on non-discretionary model portfolios provided by QMA in our assets under management.

Also note, for purposes of determining discretionary assets under management, that QMA includes all assets managed by the Asset Allocation team for which it provides oversight, analysis and investment direction regarding the transfer of assets among investment choices in each client's portfolio. Our total discretionary assets under management is adjusted to avoid double counting any assets managed directly by us in certain commingled funds or accounts to which we allocate under our asset allocation strategies (see Item 10 for additional disclosure.)

Item 5 – Fees and Compensation

Advisory Fees

We negotiate fees with our clients individually. Fees paid by clients vary based on the type of advice provided and other factors such as account size (including the aggregate size of multiple accounts for the same client or related clients), the investment strategy, the relationship with the client and the required nature and level of service. Fees may also differ based on account type. For example, fees for commingled vehicles, including those that we subadvise, may differ from fees for single client accounts. Since fees are negotiable, clients with similar investment objectives or strategies may pay different fees. When we act as subadvisor to the manager of an account, the manager will pay us a portion of the fee it receives from the client, but we do not generally negotiate our fee with the manager's client.

We are compensated for our advisory services under both asset-based fee schedules and performance-based fee schedules. Our asset-based fees are customarily offered in tiered schedules with breakpoints linked to the amount of assets in the account, so that the fee rate decreases as the assets increase. In circumstances where we manage multiple accounts for a single client relationship (including the client's affiliates), we may, in our discretion, agree with the client to aggregate the client's assets across related accounts to enable the client to benefit from a lower fee tier. We may also agree to consider such total assets in determining a fee schedule for each account. (See also our discussion in Item 6 below of asset-based fees and performance-based fees.)

As described in Items 4 and 8, some of our institutional clients have engaged us to assist them in determining an appropriate asset allocation framework, consistent with their funds available for investment, business needs, risk tolerance and expectations of returns. Once allocation decisions are made for a client, we allocate the client's assets to commingled vehicles corresponding to the asset classes selected. These vehicles are managed primarily by us or our affiliates, although we may also allocate to unaffiliated vehicles. (See also Item 10 with respect to conflicts of interests related to our affiliations.) In most of these arrangements, except with respect to real estate investments, our clients pay us an asset allocation fee but do not pay the fees of the underlying vehicles to which we allocate their assets. The fees of the underlying vehicles are paid out of our asset allocation fee. Our asset allocation fee is customarily asset-based, but may be another negotiated type of fee. When we allocate assets to real estate investment strategies, each manager of the real estate investment vehicle (affiliated and unaffiliated) charges its fee to the asset allocation client separately. We do not charge an asset allocation fee on assets that we allocate to affiliated real estate strategies, but we do charge an asset allocation fee on assets allocated to unaffiliated real estate strategies.

Our typical asset allocation fee schedule for the services described in the preceding paragraph is as follows:

- 65 bps on the first \$10 million
- 50 bps on the next \$15 million
- 40 bps on the next \$75 million
- 30 bps thereafter.

In addition to the asset allocation services we provide to our institutional clients, we also offer non-discretionary asset allocation model portfolios to affiliated and non-affiliated clients, as noted in Item 4. For these model portfolios, we receive a fee from the clients, which may be an asset-based fee or a fixed fee.

Payment of Fees

Depending on the client's preference, we either bill a client for our fees or deduct fees from the client's account. Asset-based fees are typically payable either monthly or quarterly in arrears. Performance-based fees, if earned, are payable after the calculation period for such fees. We do not require or solicit clients to pay advisory fees in advance. If a client were to pay advisory fees in advance and the client's advisory contract were to terminate before the end of a billing period, we would refund any unearned, prepaid fees on a pro rata basis.

Other Amounts Payable by Clients

Our advisory fees are the only amounts payable by clients to QMA. Clients are generally responsible for other fees and expenses related to their accounts, including custodian fees, brokerage fees and other transactions costs. (See Item 12 for a discussion of our policies regarding the selection of broker-dealers.)

Other Compensation

We do not receive any compensation related to the sale of securities or other investment products. Our supervised persons do not receive any compensation directly related to our sale of securities or other investment products, but the sale of our advisory services or interests in funds we manage may be considered in determining the compensation of our sales personnel. Any such compensation would be payable by QMA and not our clients or investors in the funds.

Item 6 – Performance Based Fees and Side-by-Side Management

Performance-Based Fees

As described above in Item 5, we negotiate fees with our clients individually. While the majority of our fees are asset-based, we do accept performance-based fees at the request of a client in some of our strategies. Asset-based fees are calculated based on the value of a client's portfolio at periodic measurement dates or over specified periods of time. Performance-based fees are generally based on a share of the capital appreciation of a portfolio, and may offer greater upside potential to an investment manager than asset-based fees, depending on how the fees are structured. Most of our performance-based fees are derived from the percentage by which we outperform the benchmark against which the client's portfolio is measured. We will generally be entitled to be paid a portion of that percentage, although the formulas and specifics of these negotiated fees vary. Our performance-based fees also customarily include an asset-based component, which we collect regardless of the performance of the account.

Side-by-Side Management of Accounts and Related Conflicts of Interest

We manage accounts with asset-based fees alongside accounts with performance-based fees. This side-by-side management can create an incentive for us to favor one account over another. Specifically, we have the incentive to favor accounts for which we receive performance fees, and possibly take greater investment risks in those accounts, in order to bolster performance and increase our fees.

Other types of side-by-side management of multiple accounts can also create incentives for us to favor one account over another. Examples are detailed below. We seek to address conflicts arising out of our side-by-side management by implementing various policies and procedures, which we discuss below under "*How We Address These Conflicts of Interest.*"

- **Long Only/Long-Short Accounts**

We manage accounts that only allow us to hold securities long as well as accounts that permit short selling. We may, therefore, sell a security short in some client accounts while holding the same security long in other client accounts, creating the possibility that we are taking inconsistent positions with respect to a particular security in different client accounts.

- **Compensation/Benefit Plan Accounts/Other Investments by Investment Professionals**

We manage certain strategies whose performance is considered in determining long-term incentive plan benefits for certain investment professionals. Investment professionals involved in the management of accounts in these strategies have an incentive to favor them over other accounts they manage in order to increase their compensation. Additionally, our investment professionals may have an interest in funds in those strategies if the funds are chosen as options in their 401(k) or deferred compensation plans offered by Prudential or if they otherwise invest in those funds directly. (See description in Item 11 of our compensation of investment professionals.)

- **Affiliated Accounts**
We manage accounts on behalf of our affiliates as well as unaffiliated accounts. We could have an incentive to favor accounts of affiliates over others.
- **Non-Discretionary Accounts or Model Portfolios**
We provide non-discretionary model portfolios to some clients and manage other portfolios on a discretionary basis. The non-discretionary clients may be disadvantaged if we deliver the model investment portfolio to them after we initiate trading for the discretionary clients, or vice versa.
- **Large Accounts**
Large accounts typically generate more revenue than do smaller accounts. As a result, a portfolio manager has an incentive when allocating scarce investment opportunities to favor accounts that pay a higher fee or generate more income for us.
- **Securities of the Same Kind or Class**
We may buy or sell, or may direct or recommend that one client buy or sell, securities of the same kind or class that are purchased or sold for another client, at prices that may be different. We may also, at any time, execute trades of securities of the same kind or class in one direction for an account and in the opposite direction for another account, due to differences in investment strategy or client direction. Different strategies effecting trading in the same securities or types of securities may appear as inconsistencies in our management of multiple accounts side-by-side.
- **Side Letters**
We have entered into side letters with respect to certain of the funds that we manage, and may do so with respect to funds that we manage in the future. Such side letters are agreements with investors in the funds (including affiliated investors) that grant such investors terms and conditions more advantageous than those granted to other investors. For example, investors may have side letters granting more favorable redemption rights, reduced fees or expenses, or access to more frequent or detailed information regarding the fund's investments. We may have multiple side letters with respect to a single fund, each with a different investor.

How We Address These Conflicts of Interest

The conflicts of interest described above with respect to our different types of side-by-side management could influence our allocation of investment opportunities as well as our timing, aggregation and allocation of trades. We have developed policies and procedures designed to address these conflicts of interest. Our Conflicts of Interest and related policies stress that investment decisions are to be made in accordance with the fiduciary duties owed to each account without giving consideration to our or our personnel's pecuniary, investment or other financial interests.

In keeping with our fiduciary obligations, our policies with respect to allocation and aggregation are to treat all of our accounts fairly and equitably. Our investment strategies generally require that we invest our clients' assets in securities that are publicly traded. We generally do not participate in initial public offerings. Our investment strategies are team managed, reducing the likelihood that one portfolio would be favored over other portfolios managed by the team. These factors significantly reduce the risk that we could favor one client over another in the allocation of investment opportunities. (See Item 12 for additional information regarding our trade aggregation and allocation policy.)

Our compliance procedures with respect to these policies include independent reviews by our compliance unit of the timing, allocation and aggregation of trades, allocation of investment opportunities, and the performance of similarly managed accounts. These procedures are designed to detect patterns and anomalies in our side-by-side management and trading so that we may take measures to correct or improve our processes. Our trade management oversight committee, which consists of senior members of our management team, reviews trading patterns on a periodic basis.

We rebalance portfolios periodically with frequencies that vary with market conditions and investment objectives and may differ across portfolios in the same strategy based on variations in portfolio characteristics and constraints. We may aggregate trades for multiple portfolios rebalanced on any given day, where appropriate and consistent with our duty of best execution. Orders are generally allocated at the time of the transaction or as soon as possible thereafter, on a pro rata basis equal to each account's appetite for the issue when such appetite can be determined. As mentioned above, our compliance unit performs periodic reviews to determine that all portfolios are rebalanced consistently over time within all equity strategies.

With respect to our management of long-short and long only active equity accounts, the security weightings (positive or negative) in each account are typically determined by a quantitative algorithm. An independent review is performed by the compliance unit to assess whether any such positions would represent a departure from a quantitative algorithm used to derive the positions in each portfolio. Our review is intended to identify situations where we would seem to have conflicting views of the same security in different portfolios, although such views may actually be reasonable due to differing portfolio constraints.

Item 7 – Types of Clients

Our clients currently include corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, state and municipal government plans, trusts, registered mutual funds and their investment managers, collective and common trusts, insurance companies with respect to their separate and general accounts, sovereign funds, non-U.S. funds such as UCITs and alternative investment funds, and other U.S. and international institutions. We provide our services to both affiliated and non-affiliated clients. Our minimum account size varies by product, investment vehicle and by the characteristics of the mandate. Single client accounts typically have higher minimums than investments in commingled vehicles. We do not currently provide investment advisory services directly to individuals.

Item 8 –Methods of Analysis, Investment Strategies and Risk of Loss

Our Methods of Analysis and Investment Strategies

We offer an array of investment strategies that fall under four broad categories:

- Actively managed equity;
- Equity indexing;
- Asset allocation; and
- Structured strategies.

Our investment strategies are primarily based on quantitative analysis and are team-managed. Dedicated investment management teams use proprietary and non-proprietary computer-based models and tools to implement investment strategies. Investment models and tools vary across investment strategies as discussed below. Each strategy incorporates a degree of portfolio manager judgment.

Actively managed equity strategies are tailored to investor risk/return profiles and have specific benchmarks. These benchmarks include large cap, mid cap, small cap, all cap, international, global, emerging markets, investment style and custom indices. Our actively managed equity models typically consist of two elements. The first element involves assessing the investment potential of the stocks in our selection universe, while the second element deals with portfolio construction. These are discussed in the following sections.

- **Stock Evaluation**

Stock evaluation models consider quantifiable attributes that we believe influence future performance. Factors considered and the emphases placed on them are proprietary. They vary with portfolio benchmark and specific investment strategy and may change over time. For example, our value-oriented strategies, for which performance is measured against specific value stock indices, emphasize certain measures of valuation. Core-oriented equity strategies emphasize a variety of factors in addition to valuation depending upon the type of stock being considered. Security selection universes also vary with benchmark and strategy. Our models typically evaluate over 9000 domestic and international stocks each day.

- **Portfolio Construction**

Portfolio construction methods depend upon investment objective and may be rules-based (such as risk constraints relating to over or under weightings on security positions), or they may use complex portfolio construction techniques based on proprietary optimization software. The output of these portfolio construction models is reviewed by portfolio managers before being implemented and may be overridden based on the judgment of the portfolio manager. Portfolios are rebalanced periodically with frequencies that vary with market conditions and investment objectives. Portfolio managers may trade single securities, rather than rebalance the entire portfolio, under certain circumstances such as responding to cash flows in a specific account. Portfolios may consist of small or large active positions in varying numbers of stocks depending upon the corresponding investment objective. Security positions and the weighting of

each position will vary across similarly managed portfolios for many reasons including, among other variables, the frequency and timing of rebalancing and trading each portfolio, the size of each portfolio, and the number of securities in each portfolio.

Typically, portfolios with more conservative objectives hold a larger number of small active positions, while those with more aggressive objectives may hold larger active positions in fewer individual securities. Depending upon objectives, some portfolios may also hold derivative instruments or exchange-traded funds (ETFs) and other pooled investments. In many cases, these instruments are used to manage cash flows or to efficiently obtain certain investment exposures. Additionally, depending upon investment objectives and guidelines, some strategies may take both long and short positions in individual securities. Positions in portfolios reflect both our evaluation of a stock's investment potential and our expectation of a stock's contribution to portfolio risk.

- **General Portfolio Management**

Portfolio performance and characteristics are reviewed regularly by a designated portfolio manager using a variety of performance attribution, risk monitoring and portfolio management tools and reports. Portfolio monitoring tools consist of a combination of proprietary and non-proprietary computer programs. Portfolio managers are responsible for reviewing model-recommended trades for reasonableness, adherence to portfolio guidelines and consistency with the corresponding investment strategy. Additionally, the investment management team uses a number of tools to periodically review the general effectiveness of the underlying investment processes.

Specific Strategies

- **Actively Managed Equity**

Our primary actively managed equity strategies include core equity and value equity.

- Domestic, non-US, and global core equity strategies employ proprietary quantitative stock evaluation processes and proprietary portfolio construction models. Portfolios are managed against specific benchmarks that are agreed upon in advance with clients. The underlying approach emphasizes stocks that are attractively rated on a number of quantifiable attributes such as valuation and accounting-based measures. Portfolios are constructed using portfolio optimization algorithms. Risk is primarily managed by limiting certain deviations from benchmark characteristics and holdings. The core equity strategy is benchmarked against a number of domestic and international indices. Although the approach is largely quantitative, the portfolio management team may apply judgment and deviate from model recommendations.
- Value equity employs two algorithms – and each primarily emphasizes stocks that we believe are undervalued based on proprietary valuation measures. One of the algorithms also includes proprietary quantitative stock evaluation factors and utilizes proprietary construction models. Risk is managed by limiting certain factor

exposures, such as industry and individual stock weightings. Judgment may be applied when estimating valuations and when constructing investment portfolios.

- **Equity Indexing**

Our equity indexing strategies attempt to replicate the performance and characteristics of U.S. or international equity indices. The investment team uses commercially available tools to implement this strategy. Depending upon the underlying benchmark index and level of portfolio assets, we may attempt to fully replicate an index by holding all benchmark constituent stocks in approximate proportion to their weights in the benchmark index. Alternatively, we may employ sampling techniques to determine portfolio holdings. These techniques attempt to mirror general characteristics of the index, but may not hold each of the constituent stocks. Passive management does not entail individual security analysis and we do not consider the investment potential of stocks held in these portfolios. Changes in the composition of the benchmark index may trigger corresponding trades in these portfolios. To manage transaction costs, our trades may not precisely coincide with changes in the underlying index.

- **Asset Allocation**

Our asset allocation portfolios invest in a variety of asset classes. These strategies typically seek to match or outperform a performance benchmark unique to each asset allocation client. Such benchmarks may represent a composite return consisting of a combination of component index returns (for example, 60% S&P 500 stocks and 40% Barclay's Aggregate Bond Index). Underlying investments may be actively and/or passively managed by QMA, our affiliates, or unaffiliated managers. They may also include positions in derivatives, ETFs, or pooled and similar investment vehicles.

In addition to traditional asset classes such as equity and fixed income, we invest in non-traditional asset classes to seek diversification and enhanced risk adjusted returns. For certain asset allocation accounts, we may actively manage an "overlay" portion, or sleeve, of the account. The investments in these sleeves typically include ETFs as well as futures on interest rates or broad-based stock indices and other derivatives to manage our desired asset class exposure in the client portfolio and/or to provide liquidity, while reducing the impact of turnover and transaction costs in the underlying portfolios.

We also manage a global tactical asset allocation strategy that uses quantitative techniques combined with manager judgment to make active allocation decisions, primarily using futures, forwards and swaps to invest in equities, fixed income, commodities, and currencies. The strategy may take long and short exposures, including the use of leverage.

We utilize both judgment and output from quantitative or statistical analyses to determine holdings in asset allocation portfolios. Depending upon investment objectives, we may actively change allocations among underlying asset categories in an attempt to outperform benchmarks, or to hedge existing positions. Periodically, we may rebalance asset allocation portfolios to target asset class weights.

- **Structured Products**

Certain strategies, which we call “structured,” typically utilize a combination of derivatives and other securities in an attempt to provide investment characteristics that meet specific risk and return objectives. For example, our “Market Participation Strategy” is intended to provide participation in rising stock markets, while attempting to reduce losses in declining markets. To accomplish this, the investment team allocates a portion of the account to fixed-income instruments and a portion to futures and/or options on a broad-based stock market index.

Other Features of Our Methodology and Strategies

- **Ongoing Investment Research and Model Enhancements**

We periodically make enhancements to our proprietary models, and develop new strategies, as a result of our ongoing research. New strategies, or material enhancements to existing ones, have a solid theoretical underpinning and undergo testing before they are implemented. Research is conducted within QMA. Research may be original, or be extensions of published or unpublished academic findings. Data and tools used in conducting research may be developed internally or may come from third parties. Our research efforts generally focus on quantitative stock evaluation techniques, portfolio construction and strategy implementation. We also study the behavior of securities and broad asset classes under various market conditions to support our investment decisions across all of our strategies.

- **Use of Derivatives**

We invest in futures, swaps, forwards and other client-approved derivatives. We typically use broad stock index futures to equitize uninvested cash in lieu of direct investments in individual securities in our actively managed equity and passive index strategies. In these portfolios, futures are not intended to be a source of value added and are generally not a large component of the portfolios; however, we may also use futures or other derivatives to gain exposure to certain non-U.S. markets at lower transaction costs than would be incurred by direct investments in such markets.

In some asset allocation portfolios, we may use futures, forwards or swaps to gain exposure to an underlying commodity, basket of securities, currency, asset class, or market segment. In our structured products strategy, we use futures and options as an integral part of the overall strategy.

If client approved, we may also transact in single security swaps in order to gain exposure to certain securities when it is more expensive or not possible to achieve the same exposure through investment directly in the underlying securities.

Primary Risks Associated with Our Methodology and Strategies

Investing in securities and other financial instruments involves risk of loss that clients should be prepared to bear. Investment strategies may not achieve their performance objectives and may result in losses. We have summarized below certain important risks for our clients and prospective clients to consider.

Risks Related to Quantitative Investing

In addition to the common risks relating to investments (discussed below), quantitative investing presents unique risks which may result, despite our best efforts, in our strategies not performing as we expect.

- **Model Design Risk**

The design of the underlying models may be flawed or incomplete. The investment models we use are based on historical and theoretical underpinnings that we believe are sound. There can be no guarantee, however, that these underpinnings will correlate with security price behavior in the manner assumed by our models. Additionally, the quantitative techniques that underlie our portfolio construction processes may fail to fully anticipate important risks or unprecedented market conditions.

- **Model Implementation Risks**

While we strive to mitigate the likelihood of material implementation errors, it is impossible to completely eliminate the risk of error in the implementation of the computer models that guide our quantitative investment processes. Additionally, it may be difficult to implement model recommendations in volatile and rapidly changing market conditions. Risks associated with model implementation include the following:

- The model may not operate as expected due to coding shortcomings, the quality of inputs or other similar modeling challenges.
- Although we have back-up facilities, it is possible that computing or communication technology may be disrupted, making it difficult or impossible for us to run our models.
- While we use computer-based models in connection with some of our investment strategies, the implementation of these strategies allows for non-quantitative inputs from our portfolio managers. Judgment-based decisions made by the investment team may detract from the investment performance that might otherwise be generated by our models.
- We utilize a large amount of internally and externally supplied data in our investment models, much of which may change frequently. Although we routinely review the data we use, it is possible that we will not identify all data inaccuracies. Additionally, certain data items may become unavailable at any time for reasons outside of our control, potentially reducing the efficacy of our models.

Risks Related to Investment in Equity Securities and Derivatives

- **Equity Market Risk**

Our equity strategies involve investing in U.S. and non-U.S. stocks. Equity markets increase or decrease in value depending on fundamental, economic, political and other factors. Stock markets can be volatile and may sometimes move up or down rapidly and unpredictably. Regardless of how an individual company performs, its stock price can decrease if financial markets fall.

- **Non-U.S. Securities Risk**

Investing in securities of non-U.S. issuers generally involves more risk than investing in those of U.S. issuers. Non-U.S. political, economic and legal systems may be less stable and more volatile than those in the U.S. Non-U.S. legal systems generally have fewer regulatory requirements than does the U.S. legal system. The changing value of foreign currencies could also affect the value of securities. Non-U.S. countries may impose restrictions on the ability of their issuers to make payment of principal and interest or dividends to investors located outside the country, due to the blockage of foreign currency exchanges or other problems. Investments in non-U.S. securities may be subject to non-U.S. withholding and other taxes.

- **Emerging and Frontier Markets Securities Risk**

In addition to the risks described above with respect to non-U.S. securities, investing in emerging and frontier markets involves heightened risks and special considerations. Such risks may include, but are not limited to: (a) greater social, economic and political uncertainty, including war; (b) higher dependence on exports and the corresponding importance of international trade; (c) greater risk of inflation; (d) increased likelihood of governmental involvement in, and control over, the economies; (e) governmental decisions to cease support of economic reform programs or to impose centrally planned economies; (f) greater volatility, less liquidity and smaller capitalization of markets; (g) greater volatility in currency exchange rates; (h) greater controls on foreign investment and limitations on realization of investments, repatriation of invested capital and on the ability to exchange local currencies for U.S. Dollars; (i) differences in auditing and financial reporting standards, which may result in the unavailability of material information about issuers; (j) less extensive regulation of the markets; (k) longer settlement periods for transactions and less reliable settlement, clearance and custody arrangements; (l) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors; (m) risk of nationalization or expropriation of assets or confiscatory taxation; (n) higher transaction costs generally; and (o) difficulty in enforcing contractual obligations and judgments.

Additionally, local custody services remain underdeveloped in many emerging and frontier markets and there are transaction and custody risks involved in dealing in such markets. In certain circumstances, the client may not be able to recover or may encounter delays in the recovery of some of its assets. In addition, restrictions on the opening of sub-custody accounts in certain countries may require us to gain exposure to those

markets through other types of investments and could delay or impair implementation of our strategy.

- **Derivatives Risk**

Derivatives involve risk and can result in the loss of principal. We use derivatives only when permitted by applicable investment guidelines. Derivatives are a financial arrangement between two parties in which the value is based on, or “derived” from, the performance of an agreed-upon security, commodity or other underlying reference asset or benchmark. When approved by client guidelines, we may enter into derivative transactions including, but not limited to, commodity, equity and currency swaps; equity and currency options; futures and options on futures; options on swaps; commodity-linked notes and forward currency exchange contracts.

Derivatives generally fall into two categories: cleared and uncleared. Cleared derivatives, such as futures contracts and certain standardized swap agreements, are typically traded on an exchange or similar marketplace, are centrally cleared by a clearinghouse, and have standardized terms with enhanced transparency. Uncleared derivatives, such as non-standardized swap agreements, are privately negotiated transactions, the terms of which are tailored to the specific needs of the parties.

The primary risks associated with derivatives are:

- Market risk - the risk that the market value of the investment will decline;
- Credit risk - the risk that the counterparty to the transaction (especially in the case of uncleared derivatives) will default on its obligations;
- Liquidity risk - the risk that the instrument (especially in the case of uncleared derivatives) will not be readily marketable;
- Valuation risk - the risk that because the instrument is thinly traded, it may have only one pricing source; and
- Correlation risk – if using derivatives for hedging, the risk that the value of the derivative will move more or less than the value of the hedged instrument

Futures, forwards, swaps, options and other derivative instruments contain inherent leverage in that they provide more market exposure than the amount paid on the initiation of the transaction. As a result, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose a client to the possibility of a loss exceeding the original amount invested. In addition, many of these products are subject to variation or other interim margin requirements, which may force premature liquidation of investment positions.

Risks Related to Our Strategies

- **Security Selection Risk**

The value of an individual security and, similarly, the value of an investment in that security, may rise or fall. Our investment processes and algorithms may favor specific

securities, industries or sectors that underperform investments in other securities, industries, sectors, or the market generally.

- **Asset Allocation Risk**

We may overweight or allocate assets to an asset class that ultimately underperforms. Similarly, we may underweight or allocate fewer assets to an asset class that subsequently outperforms. In addition, the underlying funds to which assets are allocated may not perform as anticipated.

- **Dispersion Risk**

Performance dispersion among client portfolios may result from differences in cash flows, portfolio size and time of rebalances. A client's portfolio may perform better or worse than other similarly managed accounts for different reasons including, among other variables, the frequency and timing of rebalancing and trading each portfolio, the size of each portfolio, and the number of positions in each portfolio. We do not manage portfolios with the intention of holding specific securities; rather, we target specific combined portfolio characteristics. This process will result in differences in the securities held across similarly managed portfolios, leading to potential differences in performance.

- **Turnover Risk**

Our investment strategies may include long-term purchases, short-term purchases, short sales or margin transactions. Frequent investments may result in higher portfolio turnover and higher transaction costs in an account.

- **Short Selling Risk**

When permitted by clients, our investment strategies may include short selling (borrowing securities). A short sale involves borrowing and selling a security with an obligation to buy the security back later at an expected lower price. There is a potentially unlimited risk in short selling if the price of the stock goes up before we are able to close the short position.

- **Leverage Risk**

When permitted by clients, our investment strategies may employ leverage (a form of borrowing) in order to maximize capital available to invest in securities. The use of leverage magnifies changes in value (volatility). This means it is possible to lose more in a leveraged strategy than in an unleveraged strategy.

- **Investment Management Risk**

Each actively managed account is subject to investment management risk. We apply investment techniques and risk analyses in making investment decisions for actively managed accounts, but there can be no guarantee that these decisions will produce the desired results. The discussions of risk management in this brochure are intended to describe our efforts to monitor and manage risk but do not imply low risk.

- **Currency Risk**

Currencies may be purchased or sold for an account through the use of forward contracts or other instruments. An account that seeks to trade in foreign currencies may have limited access to certain currency markets due to a variety of factors, including governmental regulations, adverse tax treatment, exchange controls and currency conversion issues. An account may hold investments denominated in currencies other than the currency in which the account is denominated. Currency exchange rates can be volatile, particularly during times of political or economic unrest or as a result of actions taken by central banks. A change in the exchange rates may produce significant losses in an account.

Other Risks Related to Our Business

- **Risks Related to Regulation**

Laws and regulations affecting our business change from time to time, and we are currently operating in an environment of significant regulatory reform. We cannot predict the effects, if any, of future legal and regulatory changes on our business or the services we provide.

- **Risks Related to Technology and Cyber Security**

We and our clients depend heavily on telecommunication, information technology and other operational systems, whether ours or those of others (such as custodians, financial intermediaries, transfer agents and other parties to which we or they outsource the provision of services or business operations). These systems may fail to operate properly or become disabled as a result of events or circumstances wholly or partly beyond our or their control. Further, despite implementation of a variety of risk management and security measures, our information technology and other systems, and those of others, could be subject to physical or electronic break-ins, unauthorized tampering or other security breaches, resulting in a failure to maintain the security, availability, integrity and confidentiality of data assets. Technology failures or cyber security breaches, whether deliberate or unintentional, including those arising from use of third-party service providers or client usage of systems to access accounts, could have a material adverse effect on our business or our clients and could result in, among other things, financial loss, reputational damage, regulatory penalties or the inability to transact business.

- **Risks Related to Conflicts of Interest**

Various conflicts of interest are discussed throughout this document. Please review this information carefully and contact us if you have any questions.

Like other investment advisers, we are subject to various conflicts of interest in the ordinary course of our business. We strive to identify potential risks, including conflicts of interest, which are inherent in our business, and conduct annual conflict of interest reviews. When actual or potential conflicts of interest are identified, we seek to address such conflicts through one or more of the following methods:

- Elimination of the conflict;
- Disclosure of the conflict; or
- Management of the conflict through the adoption of appropriate policies and procedures.

We follow Prudential Financial's Standards on business ethics, personal securities trading, and information barriers. We have adopted a code of ethics (see Item 11), allocation policies and conflicts of interest policies, among others, and have adopted supervisory procedures to monitor compliance with our policies. We cannot guarantee, however, that our policies and procedures will detect and prevent, or result in the disclosure of, each and every situation in which a conflict may arise.

Conflicts of Interest Associated with our Strategies

- **Conflict Associated with our Intellectual Property Protections.**
We may determine to share certain information about our models with a client or prospective client to the extent we consider necessary to address their questions regarding our investment processes. Nevertheless, we reserve the right to maintain confidentiality with respect to any and all aspects of our algorithms and processes, in our discretion, to protect our proprietary rights in our investment strategies and processes.
- See Item 10 regarding conflicts of interest associated with our asset allocation strategies.
- See Item 11 for a description of conflicts of interest relating to our compensation of investment professionals.

Item 9 – Disciplinary Information

Under this Item 9, we are required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of us or the integrity of our management. We have no facts or events to report in response to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Our Staff's Broker-Dealer Activities

Certain of our management persons and other employees are registered representatives of Prudential Investment Management Services LLC (PIMS), an affiliated SEC-registered broker-dealer.

Our Commodity Trading Activities

We are registered as a commodity trading advisor with the Commodity Futures Trading Commission, and certain of our management persons are associated persons when we act in that capacity.

Our Relationships with Affiliates and Related Conflicts of Interest

As an indirect wholly-owned subsidiary of Prudential Financial, we are part of a diversified, global financial services organization. We are affiliated with many types of financial service providers, including broker-dealers, insurance companies, commodity pool operators and other investment advisers. Some of our employees are officers of some of these affiliates.

- **Relationships with Affiliated Broker-Dealers**

PIMS provides marketing and administrative support in connection with the offer and sale of securities of certain commingled vehicles that we advise or subadvise from time to time. As noted above, some of our officers and employees are registered representatives of PIMS. We do not use PIMS as a broker for trading activity on behalf of client accounts. Other affiliated brokers distribute insurance or annuity products that include investment portfolios we subadvise.

- **Relationships with Affiliated Investment Vehicles**

- **Insurance Company Separate Accounts**

We are the subadviser of certain separate accounts of The Prudential Insurance Company of America (PICA), Prudential Retirement Insurance and Annuity Company (PRIAC) and Prudential Legacy Insurance Company of New Jersey (PLIC). We also provide asset allocation services to PICA and PRIAC with respect to certain funds of funds, as well as to other clients, and in the course of doing so, allocate assets to a number of these separate accounts. (See description of our asset allocation services under Item 8). In addition, we manage certain separate accounts in which Prudential Financial's retirement and welfare plans invest, and some of these separate accounts are also investment options under the Prudential's Employee Savings plan.

- **Mutual Funds**

We serve as subadviser to mutual funds managed or co-managed by our affiliate Prudential Investments LLC (Prudential Investments). These include certain funds in

the Prudential Investments family of funds, the Prudential Series Fund, and Advanced Series Trust. We also perform asset allocation services for certain of these affiliated funds under subadvisory agreements.

- **Collective and Commingled Trust Funds**

Our affiliate Prudential Trust Company (Pru Trust), a trust company organized under the Pennsylvania Banking Code, is the trustee of the Prudential Trust Company Collective Trust, the Prudential Trust Company Collective Investment Trust, and the Prudential Trust Company Master Commingled Investment Fund for Tax Exempt Trusts, as well as certain other Pru Trust assets. We provide investment and/or asset allocation advice, allocate to, and provide certain ancillary services to Pru Trust with respect to funds established within these trust structures and other trust accounts, including asset allocation services with respect to certain funds of funds within the Collective Investment Trust. Certain of our employees are officers and directors of Pru Trust.

- **Affiliated Non-U.S. Funds**

We act as investment subadviser, through our affiliate Prudential International Investment Advisers, LLC, to certain funds domiciled in Italy and Luxembourg that are sponsored and organized by UBI Pramerica SGR S.p.A., a joint venture owned in part by our affiliate Prudential International Investments Corporation. We act as subadviser to our affiliate PIM with respect to certain sub-funds of an umbrella Qualifying Investor Fund (QIF) domiciled in Ireland. A majority of directors are employees of PIM. One Board member is an employee of QMA. Finally, we act as investment subadviser to certain funds domiciled in Japan that are sponsored and organized by our affiliate Prudential Investment Management Japan Co., Ltd.

- **Relationships with Affiliated Investment Advisers.**

- **General**

In addition to Prudential Investments, which is described above, other affiliated investment advisers include Jennison Associates LLC, PIM, PICA, Prudential Investment Management Japan Co., Ltd., Pru Trust, Global Portfolio Strategies, Inc., Pramerica Investment Management Limited, Prudential International Investment Advisers, LLC and Pramerica Investment Management (Singapore) Pte. Ltd. We may, from time to time, provide investment advisory and ancillary services to these affiliates. We also have service agreements with some of these affiliates under which we may perform services for them or they may perform services for us.

As noted above, we provide advisory and certain ancillary services to Prudential Investments. From time to time, Prudential Investments also provides certain services to us in connection with our asset allocation strategies for mutual funds and other asset allocation products, including the selection of investment managers (both affiliated and unaffiliated) to manage the assets that we allocate to various asset classes.

- **Relationships with Affiliated Commodity Pool Operators**

As noted above, we subadvise various mutual funds managed or co-managed by our affiliate Prudential Investments. Some of these funds are "commodity pools" (and other Prudential Investments funds subadvised by us or by others in the future may fall within that definition as well). Accordingly, Prudential Investments is registered as a commodity pool operator. Our parent company, PIM, is also registered as a commodity pool operator.

- **Relationships with Affiliated Insurance Companies.**

We provide advisory services with respect to the general account of PICA or its subsidiaries. We also provide advisory services with respect to the separate accounts of PICA, PRIAC and PLIC, as well as asset allocation services that utilize some of these separate accounts, as described above. Certain of these separate accounts are investment options under the Prudential Employee Savings Plan. In addition, we provide management services with respect to assets of certain benefit and welfare plans sponsored by PICA. These plans are available to employees of PICA and employees of PICA's domestic affiliates that have adopted the plans.

Conflicts Related to Our Affiliations

- **Conflicts Arising Out of Legal Restrictions**

We may be restricted by law, regulation or contract as to how much, if any, of a particular security we may purchase or sell on behalf of a client, and as to the timing of such purchase or sale. These restrictions may apply as a result of our relationship with Prudential Financial and its other affiliates. For example, our holdings of a security on behalf of our clients are required, under some SEC rules, to be aggregated with the holdings of that security by other Prudential Financial affiliates. These holdings could, on an aggregate basis, exceed certain reporting or ownership thresholds. We track these aggregated holdings and may restrict purchases to avoid crossing such thresholds. In addition, we could receive material, non-public information with respect to a particular issuer from an affiliate and, as a result, be unable to execute purchase or sale transactions in securities of that issuer for our clients. We are generally able to avoid receiving material, non-public information from our affiliates by maintaining information barriers to prevent the transfer of information between affiliates. (See discussion of our information barriers under Item 11.)

- **Conflicts Related to Securities Lending by Our Affiliate**

PIM may provide securities lending services to some of our affiliated advisory and subadvisory clients. We could have an incentive, with respect to those affiliated accounts for which PIM provides securities lending, to invest in securities that would yield higher securities lending rates to PIM and additional assets for the affiliated funds. However, due to the quantitative nature of our strategies, this risk is greatly minimized.

- **Conflicts Related to Co-investment by Affiliates**

Our affiliates may provide initial funding or otherwise invest in vehicles managed by us. When an affiliate provides "seed capital" or other capital for a fund, it may do so with the

intention of redeeming all or part of its interest at a particular future point in time or when it deems that sufficient additional capital has been invested in that fund.

- The timing of a redemption by an affiliate could benefit the affiliate. For example, the fund may be more liquid at the time of the affiliate's redemption than it is at times when other investors may wish to withdraw all or part of their interests.
- In addition, a consequence of any withdrawal of a significant amount, including by our affiliate, is that investors remaining in the fund will bear a proportionately higher share of fund expenses following the redemption.
- We could also face a conflict if the interests of an affiliated investor in a fund we manage diverge from those of the fund or other investors.

To help mitigate these conflicts, we have procedures in place that include independent reviews by our compliance unit of the allocation and aggregation of trades across all portfolios to verify that a seeded portfolio is not being advantaged over a non-seeded portfolio. We also have procedures to review that all portfolios are rebalanced consistently over time or in response to changing market conditions. Additionally, performance of all accounts within a strategy is reviewed to confirm that differences in performance, if any, resulted from account-specific factors (such as cash flows) and not from differential treatment.

- **Conflicts Related to Our Asset Allocation Services**

- In performing services for our institutional asset allocation clients, we often assist clients in evaluating investment guidelines and strategies in light of the clients' investment objectives and tolerances. We then allocate assets among investment strategies in accordance with each client's guidelines. Our allocations are generally to investment vehicles that we or our affiliated investment advisers manage. In limited circumstances we allocate to an unaffiliated third party manager. We may also allocate client assets to investment vehicles that invest in affiliated funds. (See description of our asset allocation fees under Item 5.)
- To mitigate the conflict of interest of favoring affiliated accounts, accounts are managed within guidelines determined by each client and the account performance is reviewed with each client on a periodic basis. Guidelines typically include a pre-determined list of ranges or limits for each asset class. The performance reviews with clients will include a discussion related to the advisory decisions made during the period and the contribution of each asset class as compared to defined benchmarks. Our compliance unit also reviews asset allocation accounts to determine if investments were made outside of established guidelines.
- As described above in this Item, we also perform asset allocation services as subadviser for affiliated mutual funds managed or co-managed by Prudential Investments. We may, under these arrangements, allocate assets to an asset class within which funds or accounts that we directly manage will be selected. In these

circumstances, we generally receive both an asset allocation fee and a management fee. As a result, we have an incentive to allocate assets to an asset class that we manage in order to increase our fees. Similarly, and also as described above, we provide asset allocation services to certain funds of funds managed by PRIAC and Pru Trust, and in connection with those services, we may allocate assets to underlying funds that we also manage (and for which we are paid management fees). As in the case of other asset allocation conflicts that we have described, the compliance group reviews the asset allocation to determine that the investments were made within the established guidelines by asset class. We also believe that we make such allocations in a manner consistent with our fiduciary obligations.

- **Conflicts Arising Out of Certain Guaranteed Products Offered by Our Affiliates**
Certain of our affiliates offer annuity products that provide guaranteed benefits. Assets from these products are invested in various commingled vehicles, some of which are subadvised by us. In order to manage the liabilities associated with guaranteed benefits (particularly in times of extreme market volatility), managers of the annuity products will direct, pursuant to pre-determined mathematical formulas, transfers between various commingled portfolios. From time to time, these transfers may result in substantial asset flows. As with any client-directed flow or transfer, our ability to implement the investment strategy of the affected portfolio(s) may be impaired due to the requested timing or amount of the asset flow. We may also be trading for other accounts in similar strategies at the time we are implementing client direction of asset flows or transfers. In these circumstances, we do not favor one account over another and seek to treat all accounts fairly and equitably, applying our policy with respect to aggregation and allocation of trades as necessary or appropriate.
- **Conflicts Arising Out of Certain Vendor Agreements.**
We and our affiliates, from time to time, have service agreements with various vendors that are also investment consultants. Under these agreements, we or our affiliates compensate the vendors for certain services, including software, market data and technology services. Our clients may also retain these vendors as investment consultants. The existence of service agreements between these consultants and QMA may provide an incentive for the investment consultants to favor us when they advise their clients. We do not, however, condition our purchase of services from consultants upon their recommending us to their clients. We will provide clients with information about services that we or our affiliates obtain from these consultants upon request.

Item 11 – Code of Ethics, Participation of Interest in Client Transactions and Personal Trading

Code of Ethics

We maintain a code of ethics as required by applicable SEC rules. Our code of ethics requires employees to conduct business in an honest and forthright manner in accordance with the highest of ethical standards. In addition, the code of ethics requires employees to put client interests ahead of our own and disclose actual and potential meaningful conflicts of interest. The code of ethics incorporates our information barrier and personal securities trading policies that are described in greater detail below. Our employees are required to report any violation of the code of ethics promptly to our chief compliance officer.

We will provide a copy of our code of ethics to clients or prospective clients upon request.

Information Barrier Policy

QMA's Information Barrier Policy is designed to prevent the communication of material, non-public information across the various Prudential U.S. asset management investment sectors. Under the policy, an employee of one investment sector, including QMA, may not communicate material, non-public information to an employee of another investment sector without approval from each sector's compliance unit. The information barrier policy also restricts physical access to an investment sector's offices by employees of a different investment sector. Additionally, controls have been implemented to identify inadvertent information sharing or misuse of material, non-public information. Exceptions may be granted by QMA's compliance unit and Prudential's chief compliance officer with consideration for mitigating controls.

QMA's compliance unit maintains a restricted list of issuers about which we have material, non-public information as well as securities subject to other firm-wide restrictions. Our trade orders are screened on a pre-trade basis against our restricted list. Investment personnel must receive an override from our compliance unit prior to transacting for client accounts in the securities of any issuers that are restricted in the trading system.

Personal Securities Trading Policy

QMA maintains a personal securities trading policy that governs the trading activities of our employees as well as their household members and dependents. QMA's policy follows Prudential's Personal Securities Trading Standards. All QMA employees are considered access persons and subject to certain limited exceptions, employees are required by the standards to:

- Report personal securities transactions to our corporate compliance unit;
- Pre-clear personal securities transactions;
- Maintain brokerage accounts only with certain approved brokers that report transaction information to our corporate compliance unit; and
- Annually report securities accounts (including mutual funds) and holdings to our corporate compliance unit.

- Subject to a de minimis threshold, refrain from trading any security on the same day that we trade such security (or an equivalent security) for client accounts (excluding client accounts that replicate a broad-based index);
- Refrain from writing uncovered call options or buy uncovered put options on a security that is also held in a client account.

Our investment personnel are subject to additional restrictions, including the following:

- Investment personnel are generally prohibited from purchasing securities in initial public offerings;
- Subject to a de minimis threshold, investment personnel are prohibited from trading any security within seven days before or after we trade such security (or an equivalent security) for client accounts (excluding client accounts that replicate a broad-based index);
- Investment personnel who invest in proprietary and certain non-proprietary mutual funds must hold such investments for a period of at least 60 days; and
- Subject to a de minimis threshold, investment personnel are prohibited from frequent trading on a short-term basis.

We compare personal trading activity versus firm trading and restricted list content as well as the rules listed above, and any matches are investigated by our compliance unit. An ethics committee meets regularly to consider possible violations and take disciplinary action where appropriate.

All employees receive annual training regarding our personal securities trading and information barrier policies. In addition, employees must annually confirm that they have read and understand our code of ethics, including the personal securities trading and information barrier policies and Standards.

Gift & Entertainment Policy

Our employees may occasionally give or receive gifts, meals or entertainment of moderate value, subject to compliance with applicable laws and regulations and rules of self-regulatory organizations. QMA has adopted a policy to address the conflicts of interest related to gifts and entertainment, such as the appearance of having given or received something of value that influenced our business decisions or the business decisions of our clients. The policy requires the reporting and preclearance of gifts, meals and entertainment given or received which exceed certain thresholds. In addition, our employees are prohibited from soliciting the receipt of gifts, meals or entertainment. Senior management periodically reviews summaries of gifts and entertainment activity to detect trends of abuse, conflicts of interest, or possible violations of the policy.

Political Contributions

Due to the potential for conflicts of interest, QMA has established policies and procedures relating to political contributions that are designed to comply with applicable federal, state and local law. Under QMA's political contributions policy, all employees (including spouses and

dependent children) must obtain preapproval before making any political contribution. This policy also prohibits our employees from making any political contributions with the intent of influencing a public official regarding the award of a contract to QMA.

Compensation of Our Investment Professionals

QMA's investment professionals are compensated through a combination of base salary, a performance-based annual cash incentive bonus and an annual long-term incentive grant. QMA regularly uses third party surveys to compare its compensation program against leading asset management firms to monitor competitiveness.

The salary component is based on market data relative to similar positions within the industry as well as the past performance, years of experience and scope of responsibility of the individual.

An investment professional's incentive compensation, including both the annual cash bonus and long-term incentive grant, is largely driven by such person's contribution to our goal of providing investment performance to clients consistent with portfolio objectives, guidelines and risk parameters, as well as such person's qualitative contributions to the organization.

- **Conflicts Related to Long-Term Compensation**

A portion of the long-term incentive grant of some of our investment professionals will increase or decrease based on the annual performance of several of our strategies over a defined time period. Consequently, some of our portfolio managers from time to time have financial interests in the accounts they advise. To address potential conflicts related to these financial interests, we have procedures, including supervisory review procedures, designed to verify that each of our accounts is managed in a manner that is consistent with our fiduciary obligations, as well as with the account's investment objectives, investment strategies and restrictions. Specifically, our Chief Investment Officer will perform a comparison of trading costs between accounts in the strategies whose performance is considered in connection with the long-term incentive grant and other accounts, to verify that such costs are consistent with each other or otherwise in line with expectations. The results of the analysis are discussed at a trade management meeting.

Conflicts Arising Out of Securities Holdings and Other Financial Interests

We, Prudential Financial, PICA's general account and accounts of other affiliates of ours (collectively, affiliated accounts) may, at times, have financial interests in, or relationships with, companies whose securities we may hold, purchase or sell in our client accounts. This may occur, for example, because affiliated accounts hold public and private debt and equity securities of a large number of issuers and may invest in some of the same companies as our client accounts. At any time, these interests and relationships could be inconsistent or in potential or actual conflict with positions held or actions taken by us on behalf of our client accounts. For instance, we may invest client assets in the equity of companies whose debt is held by an affiliate. We may also invest in the securities of one or more clients for the accounts of other clients. While these conflicts cannot be eliminated, we have implemented policies and

procedures, including adherence to PIM's information barrier policy, described above, that are designed to ensure that investments of clients are managed in their best interests.

Conflicts Related to Our Trading

- **Personal Trading by Our Employees**

Personal trading by our employees creates a conflict when they are trading the same securities or types of securities as we trade on behalf of our clients. This conflict is mitigated by our personal trading policy and procedures, described above.

- **Side-by-side Management of Accounts**

See Item 6 for a description of conflicts of interest related to our side-by-side management of accounts.

Conflicts Related to the Offer and Sale of Securities

Certain of our employees may offer and sell securities of, and interests in, commingled funds that we manage. Employees may offer and sell securities in connection with their roles as registered representatives of PIMS, officers of Pru Trust, agents of PICA, approved persons of Pramerica Investment Management Limited or other roles related to such commingled funds. (See discussion of these affiliations in Item 10.) There is an incentive for our employees to offer these securities to investors regardless of whether the investment is appropriate for such investor since increased assets in these vehicles will result in increased advisory fees to us. In addition, although sales commissions are not paid for such activities, such sales could result in increased compensation to the employee. To mitigate this conflict, QMA performs suitability checks on new clients as well as on an annual basis with respect to all clients. (See "Other Compensation" in Item 5.

Conflicts Related to Outside Business Activity

From time to time, certain of our employees or officers may engage in outside business activities, including outside directorships. Any outside business activity is subject to prior approval pursuant to our personal conflicts of interest and outside business activities policy. Actual and potential conflicts of interest are analyzed during such approval process. We could be restricted in trading the securities of certain issuers in client portfolios in the unlikely event that an employee or officer, as a result of outside business activity, obtains material, nonpublic information regarding an issuer.

Item 12 – Brokerage Practices

Factors Used in Selecting or Recommending Broker-Dealers Approved Counterparty List

Transactions for client accounts must be made through brokers (including prime brokers) and futures commission merchants on our approved counterparty list.

Counterparties are approved by our chief investment officer. Criteria for approval include:

- Financial and operational stability (including, but not limited to, profitability, liquidity, financial metrics, economic factors, size, market presence, and reputation);
- Execution, clearance, and settlement capabilities; and
- Commission rates (if applicable) and other transaction costs.

In selecting a broker for a particular transaction, we also consider factors such as the following:

- The nature of the portfolio transaction;
- The size of the transaction;
- The desired timing of the trade;
- The activity existing and expected in the market for the particular transaction;
- Broker confidentiality – i.e. not revealing details about our trades or trading patterns with other brokers or market participants;
- The amount of capital, if any, that would be contributed by firms executing the transaction; and
- Administrative cooperation.

A prime brokerage relationship is one in which services such as securities lending, leveraged trade execution and cash management are provided. In QMA, prime brokerage services are integral for investment strategies that require short sales of equity securities. Specific criteria for prime broker selection and approval include depth of shorting availability, strong knowledge of local shorting laws and regular shorting costs updates.

Monitoring of the prime brokers is performed on an ongoing basis by reviewing specific credit metrics such as credit spread and credit rating. Our chief investment officer and head of trading review the metrics to assess potential exposures. Other non-credit metrics reviewed by our risk management function include stock price and collateral posting activity.

Our compliance group maintains the approved counterparty list. We may set dollar exposure limits on a net basis for a counterparty. Class types and corresponding dollar limits are directly related to the risk of the transaction, transaction collateral, and our opinion regarding the creditworthiness of the counterparty. We analyze the financial and operational stability of approved counterparties, and consider new proposed counterparties from time to time. We may add or remove counterparties from our approved list based on this ongoing review. Our trade management oversight committee, which meets periodically, reviews and assesses counterparty usage data, patterns (if any) relating to counterparty use, and other information relevant to our counterparty selection process.

Execution of Trades

We seek to execute transactions in client accounts at a price and commission that provide the most favorable total cost or proceeds reasonably attainable in the circumstances. In light of the factors described above that we consider in selecting or recommending counterparties, our clients may pay commission costs in excess of those which another firm might have charged for executing the same transaction.

We use agency (including algorithmic) and principal techniques to trade equity securities. Our determination of whether to trade securities on an agency or principal basis takes into account various factors including market volatility, liquidity and the judgment of the trading team in its efforts to seek best execution across our client accounts. When we trade securities on an agency basis, we pay only a brokerage commission but assume the risk of market price fluctuations in the securities prior to the time the trade is executed. When we trade on a principal basis, the broker will commit to a price on a basket of securities and will assume the risk of the market movement; however, to compensate the broker for assuming this risk, typically we pay a risk premium resulting in a commission rate above the broker's standard rate. In all cases, we conduct periodic reviews of the brokerage allocation among firms and the transaction costs that clients are charged.

QMA executes foreign currency (FX) transactions in client accounts that use international trading strategies. We use FX primarily for the purpose of settling transactions in non-U.S. markets using local currency and repatriation of cash or dividends. In certain strategies, QMA takes active long and short positions in foreign currencies and currency forwards to help meet the strategies' objectives. QMA manages FX transactions through its approved broker-dealers or its clients' custodians. When we use broker dealers, we primarily execute FX through an electronic system that seeks timely execution at a current quoted market exchange rate. We may also place orders directly (manually) with broker-dealers. We will execute FX transactions through client custodians when directed by a client or when local market rules or settlement practices indicate this to be a required or more efficient method for settling our equity trade orders. Our traders and portfolio managers review FX transaction, prices and execution while considering factors such as available market quotations, liquidity, capability of our counterparties or local rules and practices.

Cross-Trades

Cross-trades involve the transfer, sale or purchase of assets from one client to another client. We may engage in cross-trading where permissible under applicable law, if we determine that such action would be favorable to both clients and the conditions for the transaction are fair to both parties. Upon a client request or direction, we may also engage in trades between two accounts owned by the same client or by affiliated clients using a broker-dealer.

Soft Dollars and Research Services

Currently, we do not enter into any third party or proprietary soft dollar arrangements where a broker-dealer provides research services in exchange for an expectation of receiving a certain dollar amount of commissions.

We receive a broad range of research from broker-dealers, including information on the economy, industries, groups of securities and individual companies, statistical information, market data, information regarding political developments, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis and other information regarding matters that may affect the economy and/or security prices. We may receive research in the form of written reports, periodicals, investment seminars, software, and electronic access to, and telephone contacts and personal meetings with, economists and industry participants. Research also may consist of computer databases.

We use research in connection with our investment activities. Research and other items described above that we consider in connection with the execution of transactions for one client account may be used in managing other accounts, including the accounts of affiliates.

Certain broker-dealers may also provide us with computer hardware and/or software as well as dedicated phone lines to be used to communicate trades.

We do not believe that the provision to us by broker-dealers of the research or other items and services described above results in higher commission rates. We have no agreements with these broker-dealers to direct trades to them based upon their provision of research or other services to us.

Brokerage for Client Referrals

In selecting or recommending broker-dealers, we do not consider whether we or any of our related persons receive referrals from such broker-dealers or any other third parties.

Directed Brokerage

We do not recommend, request or require that clients direct us to execute transactions through a specified broker-dealer. We do permit clients to direct the use of a particular broker-dealer or futures commission merchant for their account. Any such direction must be in writing or, in the case of futures trading, evidenced in our clients' contracts with futures commission merchants. We may also accommodate arrangements certain clients have with brokers under which the clients recapture a portion of the commissions paid to such brokers. If a client directs brokerage:

- We may or may not be able to negotiate commission rates on its behalf and, as a result, the client may pay higher commissions, depending on its arrangements with the broker-dealer or futures commission merchant and upon other factors such as the volume of shares, the market for the security, and market-making capabilities of that particular broker-dealer or futures commission merchant;

- The client may lose the possible advantage which non-directing clients derive from the aggregation of orders for multiple clients as a single “batch” transaction, where we would, in some instances, be in a better position to negotiate brokerage commissions if the brokerage were not directed;
- The client would be responsible for monitoring the creditworthiness of the brokers or futures commission merchants it has selected; and
- In an arrangement a client may have with a broker to recapture a portion of the commissions paid to such broker, the client may not receive best execution and, if execution costs do increase, the commissions the client recaptures may be less than the additional execution costs.

ERISA accounts may be subject to additional requirements and restrictions with respect to directed brokerage.

Clients should evaluate the relative costs, advantages and disadvantages to them of directed brokerage when considering whether or not to direct us to use one or more specific brokers. Similar considerations apply in instances where a client restricts the universe of eligible trading counterparties pursuant to investment guidelines or otherwise.

Trade Aggregation and Allocation

- **Our Allocation Policy**

Our policy is that all clients must receive fair and equitable treatment in the allocation of securities transactions. Our general practice is that all orders will be allocated at the time of the transaction, or as soon as possible thereafter, on a basis equal to each account’s appetite for the issue, including affiliated accounts. Order allocation is not based upon account performance, fee structure, or any proprietary interest that we or our affiliates may have in an account.

Supervisors or their delegates who review trading activity are responsible for reasonably ascertaining that allocations are in compliance with the policy.

Index and quantitatively managed portfolios often trade multiple securities, or “basket trades. Individual trade orders or orders consisting of baskets of securities may be executed separately or aggregated across a number of accounts when, in our reasonable judgment, aggregation may result in overall economic benefit to those accounts in terms of pricing and/or transaction costs.

- **Allocation of Futures**

We may seek to enter a single futures order for multiple client accounts that are traded side-by-side. This is commonly referred to as a “block order.” Block orders may result in “split fills” (an execution of a block order at more than one price) or “partial fills” (an execution of a block order at less than specified quantities). We allocate block orders and

any resulting split and/or partial fills in a non-preferential, predetermined and objective manner.

- **Extended / Shortened Settlements**

From time to time we may look to shorten the settlement of our equity trades in order to meet the demands of client cash flows. Additionally, for non-US trading we may extend or shorten the settlements for certain markets in order to effectively manage cash.

Our Trade Error Policy

We maintain a trading and operational errors correction policy that requires all errors covered under the policy to be identified and corrected promptly and in a manner that is fair and reasonable. Under our policy, any associate who becomes aware of a potential error must bring the circumstances to the attention of a senior compliance or risk officer promptly. The officer contacted, together with one or more representatives of the investment unit, will determine and document the appropriate corrective action. In the event of a loss in a client account resulting from an error for which QMA has concluded it was responsible, we will determine the amount of the loss, reimburse the client account and notify the client of the error.

Under certain circumstances, our policy provides that trades may, where appropriate, be cancelled or modified prior to settlement. If we cancel or modify a trade, we must be able to document that the trading counterparty will not suffer any loss. For daily valued accounts, we will document whether the cancellation or modification impacts any net asset value of the account that is struck between the commission of the error and the date of cancellation. In addition, our policy provides that a trading error in one client's account involving a violation of law or of the account's investment guidelines may be corrected through a reallocation or other transfer of securities to another account, subject to certain conditions. These conditions are that the reallocation or other transfer must represent an appropriate investment decision for, and be effected without loss to, the transferee account(s).

Item 13 – Review of Accounts

Periodic Review of Client Accounts by the Investment Teams

- **Asset Management Accounts in General**

Our investment strategies are team-managed. This approach seeks to bring to the review process the benefit of multiple perspectives and facilitates the comparison of accounts managed in the same strategy to verify that accounts are being treated fairly and equitably.

Team members from each strategy meet daily to discuss such topics as the output from the investment models, the results of trading, and the performance of client accounts, and to discuss new or ongoing issues and exchange ideas. Our chief investment officer and investment unit supervisors also have responsibility for reviewing client accounts on a periodic basis and providing oversight of their investment teams.

- **Commingled Vehicles**

Some of our assets under management are held in U.S. registered mutual funds, collective investment trusts and other pooled investment funds that we subadvise. In these subadvised accounts, we and the investment portfolios we manage are subject to the oversight of the investment manager for the account, in addition to oversight by the boards of directors, plan trustees or investment committees of each account, as applicable. The account managers typically perform a periodic, onsite due diligence of our investment process, operations and compliance procedures.

- **Asset Allocation Accounts**

With respect to asset allocation services that we provide to certain clients, a primary portfolio manager may be assigned to an account. The portfolio manager makes active allocation and reallocation decisions for the account and also reviews allocations to verify that they are consistent with the guidelines established by each client. A senior investment professional on the asset allocation team reviews these client accounts on a regular basis to compare the performance of the accounts to their benchmarks.

Additional Ongoing Review of Accounts

Control functions such as our compliance team also review and assess data and processes relating to our management and trading. They report results of these analyses independently to our senior management. Some examples of these independent reviews include:

- Daily pre-trade compliance review of proposed transactions to verify consistency with guidelines and restrictions;
- Daily post-trade compliance review of any exceptions to client guidelines;
- Monthly review of account performance to verify that performance by accounts within a particular strategy is consistent;
- Periodic review of trading to examine allocation, trade errors, and timing; and

- Periodic review by oversight committees regarding our investment management, trading and related activities.

Our oversight committees mentioned above include our

- Trade management oversight committee;
- Pricing committee; and
- Proxy committee.

Reports to Clients

We provide written reports regularly to all of our clients regarding their accounts. In most cases, we furnish these reports quarterly, but may provide some reports monthly or annually. Our reports generally include:

- A list of transactions in the account during the applicable period;
- A list of holdings in the account with the aggregate cost and market value as of the last business day of the applicable period; and
- A calculation of the account's return.

In addition, our reports typically include current and historical performance returns versus benchmark, sector summary, performance attribution, and portfolio characteristics versus benchmark. We typically provide these reports by the tenth business day following month/quarter end.

Additionally, some of our clients receive commentaries in which our investment professionals discuss the general performance of the strategy during the preceding period. They describe economic and market conditions that may have influenced performance, as well as other factors, such as particular industry, sector, security or other weightings. Clients may also request reports pertaining to QMA's compliance with contractual investment guidelines.

We understand that our clients may have varying requirements to complete their due diligence and ongoing monitoring programs, and we work with them to provide the necessary information.

Item 14 – Client Referrals and Other Compensation

Other than research and brokerage-related services described in Item 12 under “Soft Dollars and Research Services,” we do not receive economic benefits from anyone who is not a client in connection with the advisory services we provide to our clients.

From time to time, we have arrangements where we compensate, either directly or indirectly, affiliated and/or unaffiliated solicitors for client referrals. The manner and amount of compensation would typically be negotiated on a case by-case basis. We do not currently have any solicitation arrangements with unaffiliated solicitors.

Item 15 – Custody

We do not take physical custody of the assets of our clients. Client assets are held in custodial accounts with banks, broker-dealers or other qualified custodians typically retained by our clients under arrangements negotiated by them. Although we do not have possession of client assets, when our clients permit us to deduct our management fees directly from their custodial accounts, the SEC nevertheless deems us to have custody over the assets of those clients. There are certain other circumstances under which the SEC may deem us to have custody of client assets as well.

Our clients will receive account statements from their custodians no less frequently than quarterly, and should carefully review those statements. Where our fees are deducted from the client's custodial account, the statements will show those deductions, among other information. As described in Item 13 above under "Review of Accounts: Reports to Clients," we also generally provide reports to our clients. Some of the types of information we provide in those reports are comparable to information in the account statements clients receive from their custodians. We urge our clients to compare the account statements they receive from their qualified custodians with reports that they receive from us.

Item 16 – Investment Discretion

We typically have the discretionary authority to purchase and sell assets for client accounts. This authority is granted pursuant to a written investment management or similar agreement between the client and QMA.

Our discretionary authority to manage client accounts is in all cases subject to the specific objectives, guidelines and limitations set forth in the investment management agreement.

Investment guidelines generally set forth the universe of eligible investments and issuers. As noted in Item 4 above, guidelines may also contain restrictions or limitations such as the following:

- A list of prohibited issuers or types of issuers;
- Percentage limitations regarding the investment in certain issuers, groups of issuers or asset classes;
- Percentage limitations regarding deviation from the holdings of the account's benchmark; and
- Percentage limitations on outstanding voting shares of a company held in the account.

Certain regulated clients, such as U.S. mutual funds and ERISA accounts, are subject to additional investment, diversification and other limitations imposed by applicable law.

Item 17 – Voting Client Securities

In General

We accept the authority to vote securities held in our clients' accounts when our clients wish to provide us with this authority. Our investment management agreements with our clients will generally specify whether or not we have the authority to vote proxies on their behalf.

Our Proxy Voting Policy and Procedures

Our policy is to vote proxies in the best long-term economic interests of our clients. In the case of pooled accounts, our policy is to vote proxies in the best long-term economic interest of the pooled account.

Our proxy voting policy contains detailed voting guidelines on a wide variety of issues commonly voted upon by shareholders. These guidelines reflect our judgment of how to further the best long-term economic interest of our clients (i.e., the mutual interest of clients in seeing the appreciation in value of a common investment over time) through the shareholder voting process.

From time to time, ballot issues arise that are not addressed by our policy, or circumstances may suggest a vote not in accordance with our established guidelines. In these cases, our voting decisions are made on a case-by-case basis taking into consideration the potential economic impact of the proposal as well as any circumstances that may result in restrictions on trading the security.

Not all ballots are received by QMA in advance of voting deadlines, but when ballots are received in a timely fashion, we strive to meet our voting obligations. We cannot, however, guarantee that every proxy will be voted prior to its deadline.

With respect to non-U.S. holdings, we take into account additional restrictions in some countries that might impair our ability to trade those securities or have other potentially adverse economic consequences. We generally vote non-U.S. securities on a best efforts basis if we determine that voting is in the best economic interest of our clients.

We currently use the services of a third party proxy voting facilitator and have directed the voting facilitator, upon receipt of proxies, to vote in a manner consistent with our established proxy voting guidelines described above (assuming timely receipt of proxy materials from issuers and custodians). Our proxy vendor also makes available analyses of ballot issues and voting recommendations to its clients. QMA's voting guidelines include instructions to vote certain ballot issues consistent with recommendations made by the vendor. In these cases, QMA periodically assesses the consistency of its view with that of the vendor and retains ultimate responsibility for the voting decision.

Our proxy voting committee includes representatives of our investment, operations, compliance, risk and legal teams. This committee is responsible for interpreting our proxy voting policy,

identifying conflicts of interest, and periodically assessing the effectiveness of our policy and procedures. The committee also oversees the services provided by our proxy vendor by reviewing management reports and performing periodic reviews of the vendor..

We provide disclosure of our proxy voting policy, guidelines and procedures to our clients who authorize us to vote proxies, generally at the time that we are negotiating our investment management agreement. Any client may obtain a copy of these items, as well as the proxy voting records for that client's securities, by contacting the client service representative responsible for the client's account.

Note with Respect to the Voting of Certain Securities

Some of our clients may participate in securities lending programs in their accounts. We do not control or participate in any way in these programs and cannot vote securities that are out of our clients' portfolios on loan or are otherwise excluded from voting privileges.

Conflicts of Interest in the Voting Process

Occasionally, a conflict of interest may arise in connection with proxy voting. For example, the issuer of the securities being voted may also be a client or affiliate of ours. When we identify an actual or potential conflict of interest between our firm and our clients or affiliates, we vote in accordance with the policy of our proxy vendor rather than our own policy. In that manner, we seek to maintain the independence and objectivity of the vote.

Client Direction of Voting

Although most of our clients for whom we vote proxies authorize us to vote in accordance with our proxy voting policy, a client may request that we vote its proxies in accordance with a different policy. We try to accommodate such requests. In addition, a client may direct us to vote its securities in a particular way on a particular proposal and we will seek to do so, assuming timely receipt of the instruction. However, if the ballot pertains to the client's own meeting, the ballot will be voted in accordance with our third party proxy vendor's policy. (See "Conflicts of Interest in the Voting Process" immediately below.)

Accounts for Which We Do Not Vote Securities

Some of our clients elect to retain voting authority for themselves. Those clients receive proxies and other solicitation materials from their custodians, and if we receive these materials for the account of such a client, we will forward them to the client's custodian. If a client has a question about a particular solicitation, the client may contact its client service representative and we will try to address the client's question. We will not, however, disclose how we intend to vote on an issue for other clients' accounts unless our disclosure would be consistently provided to all clients in routine communications.

Class Actions and Corporate Actions

In addition to voting rights with respect to securities held in our clients' portfolios, there may be other rights associated with those securities, including the right or opportunity to participate in class actions and corporate actions.

We have agreed with some of our clients to file proofs of claim for class action lawsuits relating to securities held, or formerly held, in their portfolios while managed by us. Other clients may have their custodians handle proofs of claim or may handle such matters themselves.

Where we have agreed to handle proof of claim filings for a client, we will generally seek and use our best efforts to file such notices in all class action lawsuits in which the client is eligible to participate. In so doing, we will not inquire into the particular circumstances of any client. As a result, we will not seek to determine on an individual basis whether facts and circumstances relevant to that client would suggest that non-participation in the class action is appropriate or more advantageous to that client. For example, a client on whose behalf a proof of claim is filed may, as a result of having joined the class, waive or relinquish other claims that it may have against the target of the class action. The client may also have an interest or position with respect to the nature of the class action claim that is adverse to that of the class of plaintiffs. We would generally not be aware of those circumstances. Had the client elected to handle class action lawsuits for itself, it might have determined not to file the proof of claim in such a class action. We do not provide any legal advice or services in connection with class actions.

With respect to corporate actions (such as an issuer's merger, tender offer, dividend distribution, etc.), we typically participate on behalf of clients unless instructed otherwise, taking such action as we deem to be in the best interest of the clients' accounts.

Item 18 – Financial Information

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to our clients.