

**BNY Mellon Investment Management Singapore Pte. Limited**

One Temasek Avenue  
#04-02 Millenia Tower  
Singapore 039192

**Form ADV Part 2A  
(as of March 30, 2015)**

**This brochure provides information about the qualifications and business practices of BNY Mellon Investment Management Singapore Pte. Limited. BNY Mellon Investment Management Singapore Pte. Limited is registered as an investment adviser with the United States Securities and Exchange Commission (“SEC”). If you have any questions about the contents of this brochure, please contact us at +65.6654.1000. The information in this brochure has not been approved or verified by the SEC or by any state securities authority. Registration by an investment adviser with the SEC does not imply that the investment adviser has any particular level of skill or training.**

**Additional information about BNY Mellon Investment Management Singapore Pte. Limited also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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

BNY Mellon Investment Management Singapore Pte. Limited's initial brochure was dated Dec 23, 2013. Following is a summary of the material changes we have made to our Brochure since the initial brochure dated December 23, 2013:

- a. Updated Item 4 that the firm has been approved by the Central Bank of Ireland to act as investment manager to Irish collective schemes.
- b. Updated Item 9 because on March 19, 2015, BNY Mellon announced that it has resolved substantially all of the foreign exchange ("FX")-related actions currently pending against BNY Mellon, resulting in a total of \$714 million in settlement payments.
- c. Updated Item 10 of the following relationships that the firm has entered into: sub-advisory agreements with other BNY Mellon affiliated companies, such as Standish Mellon Asset Management Company, LLC ("Standish"), CenterSquare Investment Management Inc. and the Irish fund for which the Firm serves as a sub-adviser has engaged BNY Mellon Trust Company (Ireland) Limited, an affiliate of the Firm, to serve as its custodian.

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

BNY Mellon Investment Management Singapore Pte. Limited (the “Firm” or “We” or “Us”) is a company incorporated under the laws of Singapore. The Firm is an indirect, wholly-owned subsidiary of The Bank of New York Mellon Corporation (“BNY Mellon”) and a direct wholly-owned subsidiary of BNY Mellon Investment Management (APAC) Holdings Limited. The Firm was incorporated in 2012 and became licensed with the Monetary Authority of Singapore in November 2013.

We provide discretionary and non-discretionary investment advisory services primarily to non-U.S. institutional investors, as well as U.S. investment advisers. Currently, we provide research and advisory services to an indirect, wholly-owned subsidiary of BNY Mellon located in the U.S. and advisory services to another indirect, wholly-owned subsidiary of BNY Mellon located in the U.S. through a UCITS fund which has been authorized by the Central Bank of Ireland. In addition, we have entered into advisory arrangements pursuant to which we will provide advisory services to financial intermediaries and clients located outside of the U.S.. We provide investment advisory services to our clients from our principal business office located in Singapore. As a result, we currently are and will continue to be registered with the Monetary Authority of Singapore and subject to regulation by Singapore regulatory authorities. In addition, we are also approved by the Central Bank of Ireland to act as investment manager to Irish collective schemes.

We offer investment advisory services tailored to meet clients’ individual investment goals. We work with clients to create investment guidelines mutually acceptable to the client and the Firm. When creating investment guidelines, clients may impose investment restrictions on certain individual securities or types of securities. We may also manage certain strategies in accordance with a model portfolio for all client accounts employing the strategy. Clients who impose investment restrictions might limit our ability to employ such strategy resulting in investment performance that differs from that of the model and other client accounts. The strategies in which we may invest client assets and the fees we may receive for managing such strategies are described below.

We offer investment advisory services in the form of pooled investment vehicles or “funds.” Each fund will have an investment objective and a set of investment policies and/or guidelines that we must follow. For this reason, we cannot tailor the investment advisory services we provide to our funds to meet individual investor needs. In addition, we cannot impose individual investment restrictions on our investment strategies for underlying investors in the pooled investment vehicles.

We also contract with financial institutions to provide separately managed account services.

As of December 31, 2014, we manage \$118,513,367 on a discretionary basis.

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

### **Separate Account Fees:**

We provide investment advisory separate account services for a fee. This fee is typically charged as a percentage of your assets under our management. While this fee is typically expressed as an annual percentage, it is calculated based on the average daily, month-end, or quarter-end net assets, and generally invoiced on a monthly or quarterly basis in arrears.

Your investment advisory agreement will typically provide that you will incur fees and expenses in addition to our advisory fees such as custody, brokerage and other transaction costs, administrative and other expenses. Examples of other costs and expenses typically include mark-ups, mark-downs and other amounts included in the price of a security, odd-lot differentials, broker commissions, transfer taxes, wire transfer fees and electronic fund fees. Please review your investment advisory agreement for further information on how we charge and collect fees. Please see Item 12 of this brochure for more information on our brokerage practices.

We reserve the right, in our sole discretion, to negotiate or modify (either up or down) the advisory fees applicable to any client due to a variety of factors, including but not limited to: the level of reporting and administrative operations required to service an account, the investment strategy or style, the number of portfolios or accounts involved, and/or the number and types of services provided to the client. Because our fees are negotiable, the actual fee paid by any client or group of clients may be different.

The Firm exercises a discretion to charge a minimum annual fee for the investment advisory services it provides for separately managed accounts. Minimum annual fees are to be negotiated with clients and therefore, may vary.

### **Pooled Investment Vehicle Fees:**

Fees on pooled investment vehicles are typically charged a base management fee as a percentage of the fund's net asset value or, for a private fund, an investor's capital account balance. Fees are generally accrued as of each business day and are charged to the fund or investor quarterly or monthly in arrears. Funds may also be subject to additional charges such as custody, brokerage and other transaction costs, administrative and other expenses. Fees are not generally negotiable, though they may be waived or deferred at the discretion of the fund in accordance with the fund's offering materials. Such waivers and deferrals will cause some clients or groups of clients to pay fees that are different from the basic fee schedules disclosed in fund offering materials. Please see the applicable fund's offering materials for further information regarding fees. Please see Item 6 below for more information on performance fees. Please see Item 12 of this brochure for more information on brokerage.

**Other Fees at the Asset Level:** The Firm may invest your account in pooled investment vehicles (such as mutual funds) that themselves bear advisory fees and operational expenses such as transfer agent, distribution, shareholder servicing, networking, and recordkeeping fees. Your account will indirectly bear these fees and expenses as an investor in such pooled investment

vehicles and, as a result, you will bear higher expenses than if you invested directly in the securities held by the pooled investment vehicle.

#### Sub-Advisory Services:

When acting as a sub-adviser, the Firm will typically receive as compensation on a cost-plus basis or a portion of the fee earned by the primary adviser. The fee earned by the primary adviser may be paid in the form of a base management fee as a percentage of a fund's or account's net asset value.

#### Non-U.S. Distribution Services

For the distribution and promotion services the Firm provides in connection with the offer and sale of sponsored or affiliated non-U.S. pooled investment vehicles, the Firm's affiliates responsible for managing such investment vehicles may pay the Firm a portion of the management fee paid to them by the investment vehicles in the form of a distribution fee. Certain of our employees receive as compensation a portion of this distribution fee. Additionally, employees of our affiliates accept compensation (also referred to as "commissions") for the sale of securities, private funds, mutual funds or other investment products. Accepting compensation for the distribution of shares of pooled investment vehicles gives rise to a conflict of interest in that it may give our Firm and our employees an incentive to recommend investment products based on the compensation we will receive, rather than solely on a client's needs. Accepting commissions for the sale of securities, private funds, mutual funds or other investment products may give employees of our affiliates an incentive to recommend investment products based on the compensation they will receive, rather than solely on a client's investment needs.

## **Item 6. Performance Fees and Side-by-Side Management**

Advisers are subject to certain fiduciary standards under federal law and owe clients an affirmative duty of utmost good faith to act solely in the best interests of the client and to make full and fair disclosure of all material facts, particularly where the adviser's interests may conflict with the client's best interest. In this section, we describe our performance-based fee arrangements and our side-by-side management activities and the inherent conflicts in such arrangements.

We currently do not but may enter into performance-based fee arrangements with certain of our clients and for certain of the portfolios as permitted by applicable law. These arrangements provide for an asset-based management fee based on the market value of the client account or portfolio at specified month or quarter ends, plus a performance fee based on the client account's or portfolio's gross or net return in excess of a specified benchmark during a designated period of time. A client with a performance fee arrangement should refer to the client's investment management agreement for details about the performance fee computation.

Performance-based fee arrangements with U.S. clients are only available to qualified clients, in accordance with Rule 205-3 of the Investment Advisers Act of 1940 (the "Advisers Act").

"Side-by-side management" refers to our simultaneous management of multiple types of client accounts/investment products. For example, we may manage separate accounts, managed accounts, and pooled investment vehicles for clients at the same time. Our clients will have a variety of investment objectives, policies, strategies, limitations and restrictions. Our affiliates likewise manage a variety of separate accounts, managed accounts, and pooled investment vehicles.

Side-by-side management gives rise to a variety of potential and actual conflicts of interest for us, our employees and our supervised persons. Below we discuss the conflicts that we and our employees and supervised persons may face when engaging in side-by-side management and how we deal with them. When we and our affiliates concurrently manage client accounts/investment products, this presents the same conflicts as described below.

Note that we will manage our accounts consistent with applicable law, and we will follow procedures that are reasonably designed to treat our clients fairly and to prevent any client or group of clients from being systematically favored or disadvantaged. For example, we have Order Allocation Policies and Procedures which are designed and implemented to ensure that all clients are treated fairly and equally, and to prevent these conflicts from influencing the allocation of investment opportunities among clients. Please see Item 12 for an explanation of our Order Allocation Policies and Procedures.

### **Conflicts of Interest Relating to Performance Based Fees When Engaging in Side-by-Side Management:**

We currently do not but may manage accounts that are charged a performance-based fee and other accounts that are charged a different type of fee, such as a flat asset-based fee. We have a financial incentive to favor accounts with performance-based fees because we (and our employees and supervised persons) may have an opportunity to earn greater fees on such

accounts as compared to client accounts without performance-based fees. Thus, we have an incentive to direct our best investment ideas to client accounts that pay performance-based fees, and to allocate, aggregate or sequence trades in favor of such accounts. We also have an incentive to give accounts with performance-based fees better execution and better brokerage commissions. Please see Item 12 for an explanation of our Order Allocation Policies and Procedures.

Conflicts of Interest Relating to Accounts with Different Strategies:

We are part of a larger organization with many portfolio managers who make simultaneous investment decisions without the knowledge of the other managers. As a result, we and our affiliates manage numerous accounts with a variety of strategies, which may present conflicts of interest. For example, a long/short position in two client accounts simultaneously can result in a loss to one client based on a decision to take a gain in the other. Taking concurrent conflicting positions in certain derivative instruments can likewise cause a loss to one client and a gain to another. We also may face conflicts of interest when we have uncovered option strategies and significant positions in illiquid securities in side-by-side accounts. Please see Item 12 for a discussion of our brokerage practices.

Conflicts of Interest Relating to the Management of Multiple Client Accounts:

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

Conflicts of Interest Relating to Investment in Affiliated Accounts:

To the extent permissible under applicable law, we typically invest some or all of our temporary investments in money market accounts advised or managed by a BNY Mellon affiliate. In addition, we may invest client accounts in affiliated pooled investment vehicles. Affiliated pooled investment vehicles are those funds or other pooled vehicles that are managed or serviced by an affiliate of the Firm. We have an incentive to allocate investments to these types of affiliated accounts in order to generate additional fees for us or our affiliates. Please see Item 12 for a discussion of our brokerage practices.

Conflicts of Interest Relating to “Proprietary Accounts”:

We, our affiliates, and our existing and future employees may from time to time manage and/or invest in products managed by the Firm (“Proprietary Accounts”). Investment by the Firm, our affiliates, or our employees in Proprietary Accounts may create conflicts of interest. We or our affiliates would have an incentive to favor these Proprietary Accounts by, for example, directing our best investment ideas to these accounts or allocating, aggregating or sequencing trades in favor of such accounts, to the disadvantage of other accounts. We would also have an incentive



to dedicate more time and attention to our Proprietary Accounts and to give them better execution and brokerage commissions than our other client accounts. We have developed policies and procedures to address any conflicts of interest created by such investments. Please see Item 12 for a discussion of our brokerage practices.

Other Conflicts of Interest:

As noted previously, we and our affiliates manage numerous accounts with a variety of interests. This necessarily creates potential conflicts of interest for us. For example, we or an affiliate may cause multiple accounts to invest in the same investment. Such accounts may have conflicting interests and objectives in connection with such investment, such as when the managers of such accounts have differing views on the operations or activities of the portfolio company, the targeted returns for the transaction and the timeframe for and method of exiting the investment. Conflicts may also arise in cases where multiple Firm and/or affiliate client accounts are invested in different parts of an issuer's capital structure. For example, one of our client accounts could acquire debt obligations of a company while an affiliate's client account acquires an equity investment. In negotiating the terms and conditions of any such investments, we may find that the interests of the debt-holding client accounts and the equity holding client accounts may conflict. If that issuer encounters financial problems, decisions over the terms of the workout could raise conflicts of interest (including, for example, conflicts over proposed waivers and amendments to debt covenants). As another example, debt holding accounts may be better served by a liquidation of an issuer in which it could be paid in full, while equity holding accounts might prefer a reorganization of the issuer that would have the potential to retain value for the equity holders. As yet another example, holders of an issuer's senior securities may be able to act to direct cash flows away from junior security holders, and both the junior and senior security holders may be Firm client accounts. Any of the foregoing conflicts of interest will be discussed and resolved on a case-by-case basis. Any such discussions will factor in the interests of the relevant parties and applicable laws. Please see Item 10 for more information on our industry affiliations, Item 11 for more information on participation or interest in client transactions, and Item 12 for more information on our brokerage practices.

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

### **Type of Clients:**

Currently we provide discretionary and non-discretionary investment advisory services primarily to non-U.S. institutional investors, as well as U.S. investment advisers. We provide discretionary and non-discretionary investment sub-advisory services to institutional investors contracted with the U.S. investment advisers. Institutional investors may include, without limitation, banks or thrift institutions, corporate pension and profit sharing plans, Taft-Hartley plans, Voluntary Employee Beneficiary Associations (“VEBAs”), trusts, estates, charitable institutions, foundations, endowments, municipalities, insurance companies, state and local governments, separate accounts, U.S. registered investment companies, exchange-traded products, U.S. and “offshore” (non-U.S.) private investment funds, UCITS, other non-U.S. regulated funds, sovereign funds, other investment advisers and other U.S. and international institutions.

### **Account Requirements:**

We generally require clients to execute a written investment management agreement with us, granting us authority to manage their assets. Separate accounts will be subject to minimum account sizes which may vary depending upon the strategy of the account. Separate accounts will also likely be subject to minimum annual fees; see Item 5 for more information.

We reserve the right to waive the above minimum account size or minimum annual fee requirements.

Investments in private funds or other pooled investment vehicles that we manage [for various investment advisers] are also subject to minimum investment requirements. Please refer to the offering documents of such funds for more information.

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

We primarily provide advisory services in global real estate and Asian debt strategies. Depending on the particular strategy, we may invest in a variety of securities and other investments, including from time to time in derivatives, and employ various methods of analyses, investment processes and investment techniques. General descriptions of the Firm's investment strategies are included below.

### **Global Real Estate and Global Ex-US Real Estate (collectively, the "Global Real Estate Strategies")**

With Global Real Estate Strategies, we manage, on behalf of client accounts, global equity securities of companies in the real estate industry, including real estate investment trusts ("REITs"), real estate operating companies ("REOCs") and similar entities located in various countries throughout the world, including emerging market countries.

The Global Real Estate Strategies employed on behalf of client accounts are long-only strategies and do not invest in derivatives. The strategies we manage include Global (all countries) Real Estate securities and Global Ex-U.S. (all countries except the U.S.) Real Estate securities.

The investment approach is uniform across all strategies and includes top-down market/country selection and bottom-up underwriting of real estate companies. The bottom-up underwriting includes a review of a company's management teams, its strategies, and the company's real estate assets and related valuations.

Substantially all client assets are invested in real estate securities and client accounts generally hold less than 5% in cash.

Our Firm's investment approach and related strategy offerings invest in a variety of securities and employ a number of investment techniques that involve certain risks. Investing in securities involves risk of loss that clients should be prepared to bear.

The investment approach for the Global Real Estate Strategies has three primary components:

1. *Top-down Research:* Our research process begins by considering the macroeconomic landscape. We examine factors such as economic growth, interest rates, inflation, employment, and consumer spending. From this perspective, we refine and form an opinion on how each of these macroeconomic factors will impact the different regions and property types around the world. We layer pricing considerations into this relative value analysis in order to determine which property sectors and geographic regions to over or underweight.
2. *Bottom-up Research:* The bottom-up element focuses on detailed stock-level analysis. Real estate is a management-intensive business, and so we start with a qualitative assessment of each real estate security by understanding each company's strategic vision, governance practices, and history of value creation in varying economic cycles. Next we quantify the fundamentals and valuation of the underlying real estate using traditional real estate valuation tools, such as implied capitalization rates, net

asset value, and replacement costs. We evaluate each underlying property from an operating perspective, considering factors such as rental rates, occupancy, expenses, property locations, physical building quality, tenant quality, and tenant turnover. We assess the potential impact of market conditions on both the operations of the real estate and the psychology of the stock market affecting the share prices. The final phase of the bottom-up portion of our process is to evaluate each security using our proprietary relative value models. We strive to understand how independent variables drive valuation. Our proprietary models look at leverage, growth, size, property type and other critical factors to derive our view of relative value within each region of our investment universe. A critical component is a rigorous underwriting of each company's balance sheet to understand the impact of debt and debt maturities on a company's ability to navigate the capital markets and successfully implement its strategy. This disciplined financial modeling allows us to compare valuations on a like-for-like basis over time.

3. *Risk Management:* While identifying attractive securities is an important element of our process, portfolio optimization ensures a proper balance between alpha generation and risk minimization. This third step of our process focuses on identifying and understanding factor exposures and active bets relative to our benchmark. We monitor exposures across a number of facets, including, but not limited to, VaR, tracking error, beta, sector weights, active bet exposures, correlation, standard deviation, and Sharpe ratio.

### Asian Debt Strategy

With the Asian Debt Strategy, our investment process combines top-down, macroeconomic analysis with bottom-up research to identify attractive securities based on proprietary, fundamental research. Our top-down approach includes macroeconomic research to assess the overall risk environment, and determine broad portfolio themes, sector emphasis, and overall portfolio quality. The main indicators we use to achieve the desired strategy results are:

*Valuation:* We use a number of valuation indicators and quantitative models to help us establish fair value for a bond or currency, risk-adjusted carry and real yields. While valuation is a cornerstone of our investment process, we recognize that it is not a timing tool and that there are other indicators that we need to monitor.

*Cyclical Research:* Once the level of fair value is estimated, we then perform our cyclical research, which is based on classical fundamental macroeconomics. Our cyclical research and indicators try to answer the basic question of why a bond is over- or undervalued. We try to understand where capital is going to flow based on shifting portfolio balances.

Our bottom up approach is based on in-depth, fundamental research on issuers. Our approach focuses heavily on credit risk, specifically the ability and willingness of an issuer to meet its obligations in a timely manner. This fundamental approach is then weighed against value by addressing a simple question; "is compensation sufficient for the risks taken". This value for risk approach uses a rigorous relative value assessment across issuers, credit ratings, countries, industries and tenors.

Our investment strategies use both quantitative and fundamental methods to search for value while employing rigorous risk management and a broad opportunity set. Our investment objective is to outperform a benchmark index over a full market cycle, on an absolute and risk-adjusted basis. Benchmark indexes include the JP Morgan Asian Credit Index and HSBC Asian Local Bond Index or similar indices. Our investment strategy also seeks to add alpha through active management which may include decisions with respect to country allocation, security selection, active currency management and interest rate positioning.

In seeking to achieve our investment objective, the investments we may make on behalf of client accounts include external and local currency Asian sovereign, quasi-sovereign and supranational bonds and external and local currency Asian corporate bonds.

In certain accounts, we may be permitted to invest client assets in financial futures contracts and options on such futures contracts. A change in the level of interest rates, currency exchange rates or the rate of inflation may affect the value of a client's securities (or of securities that we expect to purchase on behalf of a client). We believe that futures contracts and options thereon may provide an effective mechanism for increasing or decreasing interest rate, currency exchange rate and general market exposure in changing markets and also believes that such techniques can be used to take advantage of temporary inefficiencies in the markets to enhance yields and returns.

The futures contracts may be based on various securities or indices, such as U.S. government securities, Eurodollar time deposits, securities indices, economic indices (such as the Consumer Price Indices compiled by the U.S. Department of Labor) and other financial instruments and indices. We may engage in futures and related options transactions both for bona fide hedging and non-hedging purposes.

We may use long and short transactions in stock index and bond index futures to implement these strategies.

#### *Use of Derivatives:*

Except to the extent prohibited or limited by client agreements or guidelines, we will from time to time include derivatives in client portfolios. Derivatives may include, among other things, swaps, options and futures. Derivatives may be used for interest rate and other hedging purposes relating to particular investments or for overall portfolio management. In addition, derivatives may include credit default swaps, total return swaps, credit linked notes, forwards or other similar derivatives, which will typically relate to investments, or indexes of investments (such as CDX-related derivatives), that would be permitted to be held directly in the relevant client's portfolio; such derivatives generally replicate one or more aspects of directly investing in such investments. In using derivatives, we take into account, among other things, structural, operational and counterparty risks, as well as the characteristics of the underlying investment or index.

In certain accounts, we are permitted to invest client assets in financial futures contracts and options on such futures contracts. A change in the level of interest rates, currency exchange rates or the rate of inflation may affect the value of a client's securities (or of securities that we expect to purchase on behalf of a client). We believe that futures contracts and options thereon may

provide an effective mechanism for increasing or decreasing interest rate, currency exchange rate and general market exposure in changing markets and also believes that such techniques can be used to take advantage of temporary inefficiencies in the markets to enhance yields and returns.

The futures contracts may be based on various securities or indices, such as U.S. government securities, Eurodollar time deposits, securities indices, economic indices (such as the Consumer Price Indices compiled by the U.S. Department of Labor) and other financial instruments and indices. We engage in futures and related options transactions both for bona fide hedging and non-hedging purposes.

We use long and short transactions in stock index and bond index futures to implement these strategies.

#### *Cash Management:*

We may hold some cash balances due to cash flows or limited availability of securities due to market conditions rather than tactical judgments. We will also from time to time hold cash balances as a means of reducing risk in portfolios. We manage cash conservatively and excess cash is typically invested in short-dated US Treasury bills or remains in the appropriate client selected cash sweep vehicle.

#### Summary of Material Risks:

Each investment strategy we offer invests in a variety of securities and employs a number of investment techniques that involve certain risks. Investing in securities and derivatives involves risk of loss that you should be prepared to bear.

The tables below and the sections that follow the tables set forth information concerning the material risks involved with each strategy. An “X” in the table indicates that the strategy involves the corresponding risk. An empty box indicates that the strategy does not involve the corresponding risk in a material way. **However, an empty box does not guarantee that the strategy will not be subject to the corresponding risk.**

The risks set forth below represent a general summary of the material risks involved in the investment strategies we offer. If applicable, please refer to the “Risk Factors” section in the offering documents for a more detailed discussion of the risks involved in an investment in a fund.

<b>Risk Type</b>	<b>Global Real Estate Securities</b>	<b>Global Ex-U.S. Real Estate Securities</b>
General risks	X	X
Clearance and settlement risk	X	X
Country and sector allocation risk	X	X
Emerging market risk	X	X
Exchange-traded fund (ETF) risk	X	X
Foreign currency risk	X	X
Foreign investment risk	X	X

<b>Risk Type</b>	<b>Global Real Estate Securities</b>	<b>Global Ex-U.S. Real Estate Securities</b>
IPO risk	X	X
Liquidity risk	X	X
Market risk	X	X
Non-diversification risk	X	X
Real estate risks	X	X
Small and midsize company risk	X	X
Stock investing risk	X	X
Warrants and rights risk	X	X

Not all material risks will be applicable to each strategy. A summary of the material risks included in the chart above are explained below.

**General risks.** Investing in securities involves risk of loss that you should be prepared to bear. We do not guarantee or represent that our investment program will be successful. Past results are not necessarily indicative of our future performance and our investment results may vary over time. We cannot assure you that our investments of your money will be profitable, and in fact, you could incur substantial losses. Your investments with us are not a bank deposit and are not insured or guaranteed by the FDIC or any other government agency.

**Clearance and settlement risk.** Many emerging market countries have different clearance and settlement procedures from developed countries. There may be no central clearing mechanism of settling trades and no central depository or custodian for the safe keeping of securities. The registration, record-keeping and transfer of instruments may be carried out manually, which may cause delays in the recording of ownership. Increased settlement risk may increase counterparty and other risk. Certain markets have experienced periods when settlement dates are extended, and during the interim, the market value of an instrument may change. Moreover, certain markets have experienced periods when settlements did not keep pace with the volume of transactions resulting in settlement difficulties. Because of the lack of standardized settlement procedures, settlement risk in emerging markets is more prominent than in more mature markets.

**Country and sector allocation risk.** While the portfolio managers use the country and sector weightings of the strategies' benchmark index as a guide in structuring the strategy's portfolio, they may overweight or underweight certain countries or sectors relative to the index. This may cause the strategy's performance to be more or less sensitive to developments affecting those countries or sectors.

**Emerging market risk.** Emerging markets tend to be more volatile and less liquid than the markets of more mature economies, and generally have less diverse and less mature economic structures and less stable political systems than those of developed countries. The securities of issuers located or doing substantial business in emerging markets are often subject to rapid and large changes in price. In particular, emerging markets may have relatively unstable governments, present the risk of sudden adverse government or regulatory action and even nationalization of businesses, restrictions on foreign ownership on prohibitions of repatriation of assets, and may have less protection of property rights than more developed countries. The economies of emerging market countries may be based predominantly on only a few industries



and may be highly vulnerable to changes in local or global trade conditions, and may suffer from extreme debt burdens or volatile inflation rates. Local securities markets may trade a small number of securities and may be unable to respond effectively to increases in trading volume, potentially making prompt liquidation of substantial holdings difficult. Transaction settlement and dividend collection procedures also may be less reliable in emerging markets than in developed markets.

**Exchange-traded fund (ETF) risk.** ETFs in which a strategy may invest involve certain inherent risks generally associated with investments in a portfolio of common stocks, including the risk that the general level of stock prices may decline, thereby adversely affecting the value of each unit of the ETF.

Moreover, an ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain index securities in the secondary market or discrepancies between the ETF and the index with respect to the weighting of securities or the number of stocks held. Investing in ETFs, which are investment companies, may involve duplication of advisory fees and certain other expenses.

**Foreign currency risk.** Certain investment in securities of non-U.S. issuers, including underlying securities represented by depositary receipts, will be denominated in foreign currencies. As a result, changes in the value of a country's currency compared to the U.S. dollar may affect the value of investments. Investments in foreign currencies are subject to the risk that those currencies will decline in value relative to the U.S. dollar, or in the case of hedged positions, that the U.S. dollar will decline relative to the currency being hedged. Currency exchange rates may fluctuate significantly over short periods of time. These changes may happen separately from, and in response to, events that do not otherwise affect the value of the security in the issuer's home country.

In addition, certain market conditions may make it impossible or uneconomical to hedge against currency risk. Also, certain foreign countries may impose restrictions on the ability of issuers of foreign securities to make payment of principal and interest to investors located outside of the country, due to blockages of foreign currency exchange or otherwise.

Foreign currencies are also subject to risks caused by inflation, interest rates, budget deficits and low savings rates, political factors and government controls.

**Foreign investment risk.** The strategies will invest in securities of non-U.S. issuers. Investments in non-U.S. securities often are subject to risks generally viewed as not present in the United States, and may include, among others, varying custody, brokerage and settlement practices; exposure to currency fluctuations; difficulty in pricing of securities; less public information about issuers of non-U.S. securities; less governmental regulation and supervision of the issuance and trading of securities; the lack of availability of financial information regarding a non-U.S. issuer or the difficulty of interpreting financial information prepared under non-U.S. accounting standards; less liquidity and more volatility in non-U.S. securities markets; the possibility of expropriation or nationalization; the imposition of withholding and other taxes; adverse political, social or diplomatic developments; limitations on the movement of funds or other assets between different countries; differing auditing and legal standards; difficulties in



invoking legal process abroad and enforcing contractual obligations; and the difficulty of assessing economic trends in non-U.S. countries.

Investment in markets outside the United States typically also involves higher brokerage and custodial expenses than does investments in U.S. markets and may include local fees and taxes. Risks associated with investing in non-U.S. securities may be greater with respect to those issued by companies located in emerging industrialized or less developed countries.

**IPO risk.** The Global Real Estate Strategies may purchase securities of companies in an initial public offering (“IPO”) or shortly thereafter. Special risks associated with these securities may include a limited number of securities available for trading, unseasoned trading, lack of investor knowledge of the company and limited operating history. These factors may contribute to substantial price volatility for the securities of these companies. The limited number of securities available for trading in some initial public offerings may make it more difficult for the Firm to buy or sell significant amounts of securities without an unfavorable impact on prevailing market prices. In addition, some real estate companies in initial public offerings may have limited operating histories, may be undercapitalized and may not have invested in or experienced a full market cycle.

**Liquidity risk.** Client accounts may, and as permitted by investment advisory agreements, invest in restricted securities and other investments that are illiquid. Restricted securities are securities that may not be sold to the public without an effective registration statement under the Securities Act or, if they are unregistered, may be sold only in a privately negotiated transaction or pursuant to an exemption from registration under the Securities Act.

Where registration is required to sell a security, client accounts may be obligated to pay all or part of the registration expenses, and a considerable period of time may elapse between the decision to sell and the time the Firm may be permitted to sell a security under an effective registration statement. If, during such a period, adverse market conditions were to develop, clients might obtain a less favorable price than the prevailing price when it decided to sell.

Restricted securities for which no market exists and other illiquid investments are valued at fair value as determined in accordance with procedures approved and periodically reviewed by the Firm. The Firm may be unable to sell restricted and other illiquid securities at the most opportune times or at prices approximating the value at which the Fund purchased such securities. When there is little or no active trading market for specific types of securities, it can become more difficult to sell the securities at or near their perceived value. In such a market, the value of such securities and the value of your investment may fall dramatically, even during periods of declining interest rates.

Liquidity risk also exists when a particular derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price.

The secondary market for certain municipal bonds tends to be less well developed or liquid than many other securities markets, which may adversely affect the strategy’s ability to sell such municipal bonds at attractive prices.

**Market risk.** The market value of a security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. A security's market value also may decline because of factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry.

**Non-diversification risk.** A strategy may be non-diversified, which means that the strategy may invest a relatively high percentage of its assets in a limited number of issuers. Therefore, the strategy's performance may be more vulnerable to changes in the market value of a single issuer or group of issuers and more susceptible to risks associated with a single economic, political or regulatory occurrence than a diversified strategy.

**Real estate risks.** Real estate securities involve risks similar to those associated with the direct ownership of real estate. These include: declines in real estate values, defaults by mortgagors or other borrowers and tenants, increases in property taxes and operating expenses, overbuilding, fluctuations in rental income, changes in interest rates, possible lack of availability of mortgage funds or financing, extended vacancies of properties, changes in tax and regulatory requirements (including zoning laws and environmental restrictions), losses due to costs resulting from the clean-up of environmental problems, liability to third parties for damages resulting from environmental problems, and casualty or condemnation losses. In addition, the performance of the economy in each of the regions and countries in which the real estate owned by a portfolio company is located affects occupancy, market rental rates and expenses and, consequently, has an impact on the income from such properties and their underlying values. Changes in interest rates may also affect the value of real estate securities.

In addition to the risks which are linked to the real estate sector in general, real estate investment trusts (REITs) are subject to additional risks. Equity REITs, which invest a majority of their assets directly in real property and derive income primarily from the collection of rents and lease payments, may be affected by changes in the value of the underlying property owned by the trust, while mortgage REITs, which invest the majority of their assets in real estate mortgages and derive income primarily from the collection of interest payments, may be affected by the quality of any credit extended. Certain real estate securities have a relatively small market capitalization, which may tend to increase the volatility of the market price of these securities.

Further, REITs are highly dependent upon specialized management skill, have limited diversification and are, therefore, subject to risks inherent in operating and financing a limited number of projects.

REITs also are subject to heavy cash flow dependency and to defaults by borrowers or lessees. In addition, REITs are subject to the possibility of failing to qualify for tax-free pass-through of income under the Internal Revenue Code and maintaining exemption from the registration requirements of the Investment Company Act of 1940. Certain REITs provide for a specified term of existence in their trust documents. Such REITs run the risk of liquidating at an economically disadvantageous time.

**Small and midsize company risk.** The Firm may invest in real estate securities of small and midsize companies. Investments in small and midsize companies carry additional risks because

the operating histories of these companies tend to be more limited, their earnings and revenues less predictable (and some companies may be experiencing significant losses), and their share prices more volatile than those of larger, more established companies. The shares of smaller companies tend to trade less frequently than those of larger, more established companies, which can adversely affect the pricing of these securities and the strategy's ability to sell these securities. These companies may have limited product lines, markets or financial resources, or may depend on a limited management group. Some of the strategy's investments will rise and fall based on investor perception rather than economic factors. Other investments are made in anticipation of future products, services or events whose delay or cancellation could cause the stock price to drop.

**Stock investing risk.** Stocks generally fluctuate more in value than bonds and may decline significantly over short time periods. There is the chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The market value of a stock may decline due to general market conditions that are not related to the particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates, or adverse investor sentiment generally. A security's market value also may decline because of factors that affect a particular industry, such as labor shortages or increased production costs and competitive conditions within an industry, or factors that affect a particular company, such as management performance, financial leverage, and reduced demand for the company's products or services.

**Warrants and rights risk.** Warrants and rights may be received relating to certain securities. Warrants and rights may become worthless if the price of the stock does not rise above the exercise price by the expiration date. This increases the market risks of warrants and rights as compared to the underlying security.

<b>RISKS</b>	<b>Asian Debt</b>
General risks	X
Allocation risk	x
Asset-backed securities risk	X
Banking industry risk	X
Call risk	X
Clearance and settlement risk	x
Closed-end investment companies – valuation risk	x
Correlation risk	x
Counterparty creditworthiness risk	X
Counterparty risk	X
Country and sector allocation risk	X
Country, industry and market sector risk	X

<b>RISKS</b>	<b>Asian Debt</b>
Credit risk	X
Credit Default Swaps	X
Credit -Linked Notes	X
Derivatives risk	X
Emerging market risk	X
Emerging market risk – fixed income	X
Exchange traded funds	x
Foreign currency risk	X
Foreign government obligations and securities of supranational entities risk	X
Foreign investment risk	X
Forward foreign currency exchange transactions	X
Futures contracts	X
Government securities risk	X
High yield bond risk	X
Inflation-indexed security risk	X
Interest rate risk	X
Investment strategy risk	x
Issuer risk	X
Leverage risk	X
Liquidity risk	X
Market risk	X
Market sector risk	X
Non-diversification risk	X
Options	X
Preferred stock risk	x
Prepayment and extension risk	X
Short sale risk	x
Swap agreements	X
Systemic risk	x
Trading limitations	X
US Government securities risk	X
Warrants and rights Risk	x
When-Issued and Delayed-Delivery Securities	x

## **GENERAL RISKS**

Investing in securities involves risk of loss that you should be prepared to bear. We do not guarantee or represent that our investment program will be successful. Our past results are not necessarily indicative of our future performance and our investment results may vary over time. We cannot assure you that our investments of your money will be profitable, and in fact, you

could incur substantial losses. Your investments with us are not a bank deposit and are not insured or guaranteed by the FDIC or any other government agency.

The risks set forth below represent a general summary of the material risks involved in the investment strategies described above. If applicable, please refer to the “Risk Factors” section in the offering documents for a more detailed discussion of the risks involved in an investment in a fund.

- **Allocation risk.** The asset classes in which the strategy seeks investment exposure can perform differently from each other at any given time (as well as over the long term), so the strategy will be affected by its allocation among the various asset classes. If the strategy favors exposure to an asset class during a period when that class underperforms, performance may be hurt.
- **Call risk.** Some bonds give the issuer the option to call, or redeem, the bonds before their maturity date. If an issuer “calls” its bond during a time of declining interest rates, the strategy might have to reinvest the proceeds in an investment offering a lower yield, and therefore might not benefit from any increase in value as a result of declining interest rates. During periods of market illiquidity or rising interest rates, prices of “callable” issues are subject to increased price fluctuation.
- **Clearance and settlement risk.** Many emerging market countries have different clearance and settlement procedures from developed countries. There may be no central clearing mechanism of settling trades and no central depository or custodian for the safe keeping of securities. The registration, record-keeping and transfer of instruments may be carried out manually, which may cause delays in the recording of ownership. Increased settlement risk may increase counterparty and other risk. Certain markets have experienced periods when settlement dates are extended, and during the interim, the market value of an instrument may change. Moreover, certain markets have experienced periods when settlements did not keep pace with the volume of transactions resulting in settlement difficulties. Because of the lack of standardized settlement procedures, settlement risk in emerging markets is more prominent than in more mature markets.
- **Closed-end investment companies – valuation risk.** The interests of a closed-end investment company may trade above (a premium) or below (a discount) the net asset value of such entity’s portfolio. At times, discounts could widen or premiums could shrink either diluting positive performance or compounding negative performance. There is no assurance that discounted entities will appreciate to their net asset value.
- **Correlation risk.** Although the strategy seeks to deliver returns that are not typically representative of the broad market by allocating its assets among satellite asset categories or investment strategies, there can be no guarantee that the performance of the underlying funds or the fund will have a low correlation to that of traditional asset classes under all market conditions.
- **Counterparty creditworthiness.** Under certain conditions, a counterparty to a transaction could default and the market for certain securities or financial instruments in which the counterparty deals may become illiquid.
- **Counterparty risk.** The risk that a counterparty in a repurchase agreement or other

derivative investment could fail to honor the terms of its agreement.

- **Country and sector allocation risk.** While the portfolio managers use the country and sector weightings of the strategy's benchmark index as a guide in structuring the strategy's portfolio, they may overweight or underweight certain countries or sectors relative to the index. This may cause the strategy's performance to be more or less sensitive to developments affecting those countries or sectors.
- **Country, industry and market sector risk.** The strategy may be overweighted or underweighted, relative to the a selected benchmark in companies in certain countries, industries or market sectors, which may cause the strategy's performance to be more or less sensitive to positive or negative developments affecting these countries, industries or sectors. In addition, the strategy may, from time to time, invest a significant portion (more than 25%) of its total assets in securities of companies located in particular countries, such as China, depending on such country's representation within the client's selected benchmark.
- **Credit risk.** Failure of an issuer to make timely interest or principal payments, or a decline or perception of a decline in the credit quality of a bond, can cause a bond's price to fall. See also "High yield bond risk."
- **Exchange traded funds.** Exchange Traded Funds ("ETFs") are shares of publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector, or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying financial instruments they are designed to track. ETFs are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying financial instruments they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades.
- **Interest rate risk.** Prices of debt securities tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect the prices of these securities and, accordingly, the value of your investment. The longer the effective maturity and duration of the strategy's portfolio, the more the value of your investment is likely to react to interest rates. Mortgage-related securities can have a different interest rate sensitivity than other bonds, however, because of prepayments and other factors, and may carry additional risks and be more volatile than other types of debt securities due to unexpected changes in interest rates.
- **Investment strategy risk.** The strategy's sustainability investment criteria may limit the number of investment opportunities available to the strategy, and, as a result, at times the strategy's returns may be lower than those of strategies that are not subject to such special investment considerations.
- **Issuer risk.** The value of a security may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's products or services.



- **Liquidity risk.** When there is little or no active trading market for specific types of securities, it can become more difficult to sell the securities at or near their perceived value. In such a market, the value of such securities and the value of your investment may fall dramatically, even during periods of declining interest rates. Liquidity risk also exists when a particular derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price. The secondary market for certain municipal bonds tends to be less well developed or liquid than many other securities markets, which may adversely affect the strategy's ability to sell such municipal bonds at attractive prices..
- **Market risk.** The market value of a security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. A security's market value also may decline because of factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry.
- **Market sector risk.** A given strategy may significantly overweight or underweight certain companies, industries or market sectors, which may cause the strategy's performance to be more or less sensitive to developments affecting those companies, industries or sectors.
- **Preferred stock risk.** Preferred stock is a class of a capital stock that typically pays dividends at a specified rate. Preferred stock is generally senior to common stock, but subordinate to debt securities, with respect to the payment of dividends and on liquidation of the issuer. The market value of preferred stock generally decreases when interest rates rise and is also affected by the issuer's ability to make payments on the preferred stock.
- **Systemic risk.** World events and/or the activities of one or more large participants in the financial markets and/or other events or activities of others could result in a temporary systemic breakdown in the normal operation of financial markets. Such events could result in a portfolio losing substantial value caused predominantly by liquidity and counterparty issues which could result in a portfolio incurring substantial losses.
- **U.S. Government securities.** Each portfolio may invest in U.S. government securities, including bills, notes, bonds and other debt securities issued by the U.S. Treasury. These instruments are direct obligations of the U.S. government and, as such, are backed by the "full faith and credit" of the United States government. They differ primarily in their interest rates, the lengths of their maturities and the dates of their issuance. Each portfolio may also invest in securities issued by agencies or instrumentalities of the U.S. government. These obligations, including those guaranteed by federal agencies or instrumentalities, may or may not be backed by the "full faith and credit" of the United States government. All of the foregoing are referred to collectively as "U.S. government securities." Securities issued or guaranteed by agencies or instrumentalities are supported by (i) the full faith and credit of the United States; (ii) the limited authority of the issuer to borrow from the U.S. Treasury; or (iii) the authority of the U.S. government to

purchase certain obligations of the issuer. No assurance can be given that the U.S. government will provide financial support to its agencies and instrumentalities as described in (ii) and (iii) above, other than as set forth, since it is not obligated to do so by law. In the case of securities not backed by the full faith and credit of the United States, a portfolio must look principally to the agency issuing or guaranteeing the obligation for ultimate repayment and may not be able to assert a claim against the United States if the agency or instrumentality does not meet its commitments.

- **Warrants and rights risk.** Warrants and rights may become worthless if the price of the stock does not rise above the exercise price by the expiration date. This increases the market risks of warrants as compared to the underlying security.
- **When-Issued and Delayed-Delivery Securities.** “When-issued” or “delayed delivery” refers to securities whose terms and indenture are available and for which a market exists, but which are not available for immediate delivery. While the portfolio will purchase securities on a when-issued or delayed-delivery basis only with the intention of acquiring the securities, the portfolio may sell the securities before the settlement date if it is deemed advisable. At the time the portfolio makes the commitment to purchase securities on a when-issued or delayed delivery basis, the portfolio will record the transaction and thereafter reflect the value, each day, of the security in determining the net asset value of the portfolio. When these transactions are negotiated, the price (which is generally expressed in yield terms) is fixed at the time the commitment is made, but delivery and payment for the securities take place at a later date. During the period between commitment by a portfolio and settlement (generally within two months but not to exceed 120 days), no payment is made for the securities purchased by the purchaser, and no interest accrues to the purchaser from the transaction. These securities are subject to market fluctuation, and the value at delivery may be less than the purchase price. A portfolio will engage in when-issued transactions in order to secure what is considered to be an advantageous price and yield at the time of entering into the obligation. When a portfolio engages in when-issued or delayed-delivery transactions, it relies on the buyer or seller, as the case may be, to consummate the transaction. Failure to do so may result in a portfolio losing the opportunity to obtain a price and yield considered to be advantageous. If a portfolio chooses (i) to dispose of the right to acquire a when-issued security prior to its acquisition or (ii) to dispose of its right to deliver or receive against a forward commitment, it may incur a gain or loss. To the extent a portfolio engages in when-issued and delayed-delivery transactions, it will do so for the purpose of acquiring or selling securities consistent with its investment objectives and policies and not for the purposes of investment leverage. A portfolio enters into such transactions only with the intention of actually receiving or delivering the securities, although (as noted above) when-issued securities and forward commitments may be sold prior to the settlement date.

## **STRATEGY SPECIFIC RISKS**

- **Asset-backed securities risk.** General downturns in the economy could cause the value of asset-backed securities to fall. In addition, asset-backed securities present certain risks



that are not presented by mortgage-backed securities. Primarily, these securities may provide the strategy with a less effective security interest in the related collateral than do mortgage-backed securities. Therefore, there is the possibility that recoveries on the underlying collateral may not, in some cases, be available to support payments on these securities.

- **Banking industry risk.** The risks generally associated with concentrating investments in the banking industry, such as interest rate risk, credit risk, and regulatory developments relating to the banking industry.
- **Credit Default Swaps (“CDS”).** The "buyer" in a credit default contract is obligated to pay the "seller" a periodic stream of payments over the term of the contract provided that no event of default on an underlying obligation has occurred. If a "credit event" occurs, the seller must pay the buyer the full notional value, or "par value," of the obligation. CDS transactions are either "physical settled" or "cash settled." Physical settlement entails the actual delivery by the buyer of the reference asset to the seller in exchange for the payment of the full par value of the reference asset. Cash settled entails a net cash payment from the seller to the buyer based on the difference of the par value of the reference asset and the current market value of the reference asset. The portfolio may be either the buyer or seller in a CDS transaction. CDS can be used to address the perception of the client that a particular credit, or group of credits, may experience credit improvement or deterioration. In the case of expected credit improvement, the portfolio may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the portfolio to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The portfolio may also buy credit default protection with respect to a reference entity if there is a high likelihood of perceived credit deterioration or for risk management purposes. In such instance, the portfolio will pay a premium regardless of whether there is a credit event. If the portfolio is a buyer and no credit event occurs, the portfolio will have made a series of periodic payments and recover nothing of monetary value. However, if a credit event occurs, the portfolio (if the buyer) will receive the full notional value of the reference obligation either through a cash or physical settlement. As a seller, the portfolio receives a fixed rate of income throughout the term of the contract, which typically is between six months and five years (but may be longer), provided that there is no credit event. CDS transactions may involve greater risks than if the portfolio had invested in the reference obligation directly. The CDS market in high yield securities is comparatively new and rapidly evolving compared to the CDS market for more seasoned and liquid investment-grade securities, creating the risk that the newer markets will be less liquid and it may be difficult to exit or enter into a particular transaction.
- **Credit Linked Note (“CLN”).** We may purchase CLNs from time to time when we are unable to access certain markets. CLNs are created through a Special Purpose Vehicles (SPV) which owns the reference obligation and issues a security with same attributes as the underlying security. CLNs are over the counter securities negotiated with a dealer. In the event the counterparty defaults, the security could become illiquid or suffer significant price depreciation or loss of principal as the CLN is a fully funded privately negotiated transaction. In the transaction, the dealer becomes the issuer and determines whether or not a risk event has occurred. Risk events can vary by dealer but are generally

focused on credit events or settlement events. A credit event is generally triggered when the reference entity fails to pay or restructures its debt. Settlement events are generally triggered when changes in local laws or local market events prohibit the issuer from transacting in the reference security or currency. Following the determination of a risk event, the maturity date could be accelerated and the issuer will return value that is obtained from the highest bid in the payment currency. Under these circumstances, the value returned to holders could be zero.

- **Derivatives risk.** A small investment in derivatives could have a potentially large impact on the strategy's performance. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value, and there is the risk that changes in the value of a derivative held by the strategy will not correlate with the underlying instruments or the strategy's other investments. Derivative instruments also involve the risk that a loss may be sustained as a result of the failure of the counterparty to the derivative instruments to make required payments or otherwise comply with the derivative instruments' terms. Certain types of derivatives involve greater risks than the underlying obligations because, in addition to general market risks, they are subject to illiquidity risk, counterparty risk and credit risk. Additionally, some derivatives involve economic leverage, which could increase the volatility of these investments as they may fluctuate in value more than the underlying instrument. See also "Leverage risk."
- **Emerging market risk.** Emerging markets tend to be more volatile and less liquid than the markets of more mature economies, and generally have less diverse and less mature economic structures and less stable political systems than those of developed countries. The securities of issuers located or doing substantial business in emerging markets are often subject to rapid and large changes in price. In particular, emerging markets may have relatively unstable governments, present the risk of sudden adverse government or regulatory action and even nationalization of businesses, restrictions on foreign ownership on prohibitions of repatriation of assets, and may have less protection of property rights than more developed countries. The economies of emerging market countries may be based predominantly on only a few industries and may be highly vulnerable to changes in local or global trade conditions, and may suffer from extreme debt burdens or volatile inflation rates. Local securities markets may trade a small number of securities and may be unable to respond effectively to increases in trading volume, potentially making prompt liquidation of substantial holdings difficult. Transaction settlement and dividend collection procedures also may be less reliable in emerging markets than in developed markets.
- **Emerging market risk – fixed income.** The securities of issuers located in emerging markets tend to be more volatile and less liquid than securities of issuers located in the markets of more mature economies, and generally have less diverse and less mature economic structures and less stable political systems than those of developed countries. The fixed income securities of issuers located in emerging markets can be more volatile and less liquid than those of issuers in more mature economies. In addition, such securities often are considered to be below investment grade credit quality and predominantly speculative.
- **Foreign currency options.** We may take positions in options on foreign currencies for

investment purposes or to hedge against the risk that foreign exchange rate fluctuations will affect the value of foreign securities such portfolios hold or intend to purchase. Transaction costs may be higher because the quantities of currencies underlying option contracts that such portfolios may enter represent odd lots in a market dominated by transactions between banks. There is no systematic reporting of last sale information for foreign currencies or any regulatory requirement that quotations be firm or revised on a timely basis. Quotation information is generally representative of very large transactions in the interbank market and may not reflect smaller transactions where rates may be less favorable. Option markets may be closed while round-the-clock interbank currency markets are open, and this can create price and rate discrepancies.

- **Forward foreign currency exchange transactions.** We may engage in spot transactions and use forward contracts for investment purposes and to protect against uncertainty in the level of future exchange rates. For example, these portfolios may use forward contracts in connection with existing portfolio positions to lock in the U.S. dollar value of those positions, to increase a portfolio's exposure to foreign currencies that may rise in value relative to the U.S. dollar or to shift the portfolio's exposure to foreign currency fluctuations from one country to another. The precise matching of the forward contract amounts and the value of the securities involved will not generally be possible because the future value of such securities in foreign currencies will change as a consequence of market movements in the value of those securities between the date the forward contract is entered into and the date it matures. Accordingly, it may be necessary for a portfolio to purchase additional foreign currency on the spot (that is, cash) market and bear the expense of such purchase if the market value of the security is less than the amount of foreign currency the portfolio is obligated to deliver and if a decision is made to sell the security and make delivery of the foreign currency. Conversely, it may be necessary to sell on the spot market some of the foreign currency received upon the sale of the portfolio security if its market value exceeds the amount of foreign currency the portfolio is obligated to deliver. Per current market convention, we typically does not employ ISDAs for foreign currency exchange transactions with maturities less than 3 months. In order to minimize risk, we roll these contracts monthly instead of quarterly.
- **Foreign currency risk.** Investments in foreign currencies are subject to the risk that those currencies will decline in value relative to the U.S. dollar, or in the case of hedged positions, that the U.S. dollar will decline relative to the currency being hedged. Currency exchange rates may fluctuate significantly over short periods of time. A decline in the value of foreign currencies relative to the U.S. dollar will reduce the value of securities held by the strategy and denominated in those currencies. Foreign currencies are also subject to risks caused by inflation, interest rates, budget deficits and low savings rates, political factors and government controls.
- **Foreign government obligations and securities of supranational entities risk.** Investing in the sovereign debt of emerging market countries creates exposure to the direct or indirect consequences of political, social or economic changes in the countries that issue the securities or in which the issuers are located. The ability and willingness of sovereign obligors in emerging market countries or the governmental authorities that control repayment of their debt to pay principal and interest on such debt when due may depend on general economic and political conditions within the relevant country. Certain

countries in which the strategy may invest have historically experienced, and may continue to experience, high rates of inflation, high interest rates and extreme poverty and unemployment. Some of these countries also characterized by political uncertainty or instability. Additional factors which may influence the ability or willingness to service debt include a country's cash flow situation, the availability of sufficient foreign exchange on the date a payment is due, the relative size of its debt service burden to the economy as a whole and its government's policy towards the International Monetary Fund, the International Bank for Reconstruction and Development and other international agencies. The ability of a foreign sovereign obligor to make timely payments on its external debt obligations also will be strongly influenced by the obligor's balance of payments, including export performance, its access to international credits and investments, fluctuations in interest rates and the extent of its foreign reserves. A governmental obligor may default on its obligations. Some sovereign obligors in emerging market countries have been among the world's largest debtors to commercial banks, other governments, international financial organizations and other financial institutions. These obligors, in the past, have experienced substantial difficulties in servicing their external debt obligations, which led to defaults on certain obligations and the restructuring of certain indebtedness.

- **Foreign investment risk.** Special risks associated with investments in foreign companies include exposure to currency fluctuations, less liquidity, less developed or less efficient trading markets, lack of comprehensive company information, political or economic instability, seizure or nationalization of assets, imposition of taxes or repatriation restrictions and differing auditing and legal standards. The securities of issuers located in emerging markets can be more volatile and less liquid than those of issuers in more mature economies.
- **Futures contracts.** Futures contracts generally provide a high degree of liquidity and a low level of counterparty performance and settlement risk. While the use of futures contracts by a portfolio can amplify a gain, it can also amplify a loss. This loss can be substantially more money than the initial margin posted by the portfolio pursuant to the contracts. There is no assurance of market liquidity for futures contracts, whether traded on an exchange or in the over-the-counter market and, as a result, there may be times where a portfolio would not be able to close a future investment position when it wanted to do so. Upon entering into a futures transaction, a portfolio will generally be required to deposit an initial margin payment with the futures commission merchant (the "futures broker"). The initial margin payment will be deposited with a portfolio's custodian in an account registered in the futures broker's name; however, the futures broker can gain access to that account only under specified conditions. As the future is marked-to-market to reflect changes in its market value, subsequent margin payments, called variation margin, will be paid to or by the futures broker on a daily basis. Prior to expiration of the future, if a portfolio elects to close out its position by taking an opposite position, a final determination of variation margin is made, additional cash is required to be paid by or released to the portfolio, and any loss or gain is realized for tax purposes. Position limits also apply to futures traded on an exchange. An exchange may order the liquidation of positions found to be in violation of those limits and may impose certain other sanctions. Initial margin is posted to a collateral pool which may be used to cover third-party liabilities in an event of default by a clearing broker or a major clearing broker's client.

- **Government securities risk.** Not all obligations of the U.S. government’s agencies and instrumentalities are backed by the full faith and credit of the U.S. Treasury. Some obligations are backed only by the credit of the issuing agency or instrumentality, and in some cases there may be some risk of default by the issuer. Any guarantee by the U.S. government or its agencies or instrumentalities of a security held by the strategy does not apply to the market value of such security. A security backed by the U.S. Treasury or the full faith and credit of the United States is guaranteed only as to the timely payment of interest and principal when held to maturity. In addition, because many types of U.S. government securities trade actively outside the United States, their prices may rise and fall as changes in global economic conditions affect the demand for these securities.
- **High yield bond risk.** The strategy may invest to a limited extent in high yield bonds. High yield (“junk”) bonds involve greater credit risk, including the risk of default, than investment grade bonds, and are considered predominantly speculative with respect to the issuer’s ability to make principal and interest payments. The prices of high yield bonds can fall dramatically in response to bad news about the issuer or its industry, or the economy in general.
- **Inflation-indexed security risk.** Interest payments on inflation-indexed securities can be unpredictable and will vary as the principal and/or interest is periodically adjusted based on the rate of inflation. If the index measuring inflation falls, the interest payable on these securities will be reduced. The U.S. Treasury has guaranteed that in the event of a drop in prices, it would repay the par amount of its inflation-indexed securities. Inflation-indexed securities issued by corporations generally do not guarantee repayment of principal. Any increase in the principal amount of an inflation-indexed security will be considered taxable ordinary income, even though investors do not receive their principal until maturity. As a result, the strategy may be required to make annual distributions that exceed the cash the strategy received, which may cause the strategy to liquidate certain investments when it is not advantageous to do so. Also, if the principal value of an inflation-indexed security is adjusted downward due to deflation, amounts previously distributed may be characterized in some circumstances as a return of capital.
- **Leverage risk.** The use of leverage, such as engaging in reverse repurchase agreements, lending portfolio securities, entering into futures contracts or forward currency contracts, investing in inverse floaters, entering into short sales, the use of portfolio leverage or margin and engaging in forward commitment transactions, may magnify the strategy’s gains or losses. Because many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, reference rate or index can result in a loss substantially greater than the amount invested in the derivative itself. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment.
- **Municipal securities risk.** Investments in municipal securities may be affected by a variety of factors in the cities, states and regions in which the strategy invests, as well as the municipal market as a whole. Special factors, such as legislative changes and local and business developments may adversely affect the yield and/or value of the strategy’s investments in municipal securities. Other factors include the general conditions of the municipal securities market, the size of the particular offering, the maturity of the obligation and the rating of the issue. Changes in economic, business or political



conditions relating to a particular municipal project, municipality, state or U.S. territory or possession in which the strategy invests may have an impact on the value of your investment. Puerto Rico, for example, is currently experiencing significant fiscal challenges, including persistent government deficits, underfunded public pensions, sizable debt service obligations and a high unemployment rate. As a result, many ratings agencies have downgraded a number of municipal bonds issued in Puerto Rico. If the economic situation in Puerto Rico persists or worsens, to the extent the strategy invests in municipal bonds issued in Puerto Rico, the volatility, credit quality and value of your investment could be adversely affected.

- **Non-diversification risk.** A strategy maybe non-diversified, which means that the strategy may invest a relatively high percentage of its assets in a limited number of issuers. Therefore, the strategy's performance may be more vulnerable to changes in the market value of a single issuer or group of issuers and more susceptible to risks associated with a single economic, political or regulatory occurrence than a diversified strategy.
- **Options.** Options positions may include both long positions, where a portfolio is the holder of put or call options, as well as short positions, where a portfolio is the seller (writer) of an option. Option techniques can involve a relatively higher level of risk. The expiration of unexercised long options effectively results in loss of the entire cost, or premium paid, for the option. Conversely, the writing of an uncovered put or call option can involve, similar to short-selling, a theoretically unlimited risk of an increase in a portfolio's cost of selling or purchasing the underlying securities in the event of exercise of the option.
- **Prepayment and extension risk.** When interest rates fall, the principal on mortgage-backed and certain asset-backed securities may be prepaid. The loss of higher yielding underlying mortgages and the reinvestment of proceeds at lower interest rates can reduce the strategy's potential price gain in response to falling interest rates, reduce the value of your investment. When interest rates rise, the effective duration of the strategy's mortgage-related and other asset-backed securities may lengthen due to a drop in prepayments of the underlying mortgages or other assets. This is known as extension risk and would increase the strategy's sensitivity to rising interest rates and its potential for price declines.
- **Short sale risk.** Some strategies make short sales, which involves selling a security it does not own in anticipation that the security's price will decline. Short sales expose the strategy to the risk that it will be required to buy the security sold short (also known as "covering" the short position) at a time when the security has appreciated in value, thus resulting in a loss to the strategy. Short positions in stocks involve more risk than long positions in stocks because the maximum sustainable loss on a stock purchased is limited to the amount paid for the stock plus the transaction costs, whereas there is no maximum attainable price on the shorted stock. In theory, stocks sold short have unlimited risk. The strategy may not always be able to close out a short position at a particular time or at an acceptable price. The strategy may not always be able to borrow a security the strategy seeks to sell short at a particular time or at an acceptable price. Thus, there is a risk that the strategy may be unable to fully implement its investment strategy due to a lack of available stocks or for some other reason. It is possible that the market value of the

securities the strategy holds in long positions will decline at the same time that the market value of the securities the strategy has sold short increases, thereby increasing the strategy's potential volatility.

- **Swap agreements.** These transactions are entered into in an attempt to obtain a particular return when it is considered desirable to do so, possibly at a lower cost to a portfolio than if the portfolio had invested directly in an instrument that yielded that desired return. Swap agreements are two party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than one year. In a standard "swap" transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments, which may be adjusted for an interest factor. The gross returns to be exchanged or "swapped" between the parties are generally calculated with respect to a "notional amount," i.e., the return on or increase in value of a particular dollar amount invested at a particular interest rate, in a particular foreign currency, or in a "basket" of securities representing a particular index. Forms of swap agreements include interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or "cap"; interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates fall below a specified rate, or "floor"; and interest rate collars, under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels. A swap option is a contract that gives a counterparty the right (but not the obligation) to enter into a new swap agreement or to shorten, extend, cancel or otherwise modify an existing swap agreement, at some designated future time on specified terms. Each Fund may write (sell) and purchase put and call swap options.
- **Trading Limitations.** For all securities, including options, listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances. These suspensions or limits could render certain strategies difficult to execute or continue and subject a portfolio to loss.

## **Item 9. Disciplinary Information**

The New York State Attorney General's Offices, the U.S. Attorney's Office for the Southern District of New York and certain other plaintiffs have filed civil complaints against The Bank of New York Mellon (the "Bank") and/or The Bank of New York Mellon Corporation ("BNY Mellon"). BNY Mellon is the parent company of the Bank and the Firm. These actions allege that the Bank and/or BNY Mellon improperly charged and reported prices for standing instruction foreign exchange ("FX") transactions executed in connection with custody services provided by the Bank. The Firm was not a defendant to any of these actions. On March 19, 2015, BNY Mellon announced that it has resolved substantially all of the foreign exchange ("FX")-related actions currently pending against BNY Mellon, resulting in a total of \$714 million in settlement payments.



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

### **BNY Mellon is a Global Financial Services Company:**

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

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

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

### **BNY Mellon's Status as a Bank Holding Company:**

BNY Mellon and its direct and indirect subsidiaries, including [the Adviser / Firm/ us], are subject to certain U.S. banking laws, including the Bank Holding Company Act of 1956, as amended (the "BHCA"), and to regulation and supervision by the Board of Governors of the Federal Reserve System (the "Federal Reserve"). The BHCA (and other applicable banking laws, and their interpretation and administration by the appropriate regulatory agencies, including but not limited to the Federal Reserve) may restrict the transactions and relationships among BNY Mellon, its affiliates (including us) and our clients, and may restrict our investments, transactions and operations. For example, the BHCA regulations applicable to BNY Mellon and us may, among other things, restrict our ability to make certain investments or the size of certain investments, impose a maximum holding period on some or all of our investments, and restrict our ability to participate in the management and operations of the companies in which we invest. In addition, certain BHCA regulations may require aggregation of the positions owned, held or controlled by related entities. Thus, in certain circumstances, positions held by BNY Mellon and its affiliates (including us) for client and proprietary accounts may need to be aggregated and may be subject to a limitation on the amount of a position that may be held. These limitations may have an adverse effect on our ability to manage client

investment portfolios. For example, depending on the percentage of a company we and our affiliates (in the aggregate) control at any given time, the limits may: (1) restrict our ability to invest in that company for certain clients and/or (2) require us to sell certain client holdings of that company at a time when it may be undesirable to take such action. Additionally, BNY Mellon may in the future, in its sole discretion and without notice, engage in activities impacting us in order to comply with the BHCA or other legal requirements applicable to (or reduce or eliminate the impact or applicability of any bank regulatory or other restrictions on) us and accounts managed by us and our affiliates.

#### BNY Mellon Incentive Compensation Plan:

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

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

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

#### Affiliated Placement Agents:

We may employ affiliated “placement agents” to solicit persons to invest in our products, including separate accounts. The Firm may enter into agreements with these placement agents to pay them commissions or fees for such solicitations. We or our affiliates are solely responsible for the payment of these commissions and fees - they will not be borne by clients. We or our affiliates pay these commissions and fees out of our profits, and these payments do not increase the fees paid by clients. These financial incentives may cause the placement agents and their employees and/or salespersons to steer investors toward those investment products that will generate higher commissions and fees. Please see Item 14 for more information on the compensation arrangements related to client referrals.

### Affiliated Service Providers:

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

The Firm has entered into an agreement with its affiliate, BNY Mellon Asset Management Operations LLC (“BNYM AM Ops”) to provide certain operational and systems support. BNYM AM Ops provides similar services to other affiliates of the Firm. The Firm has also entered into an agreement with its affiliate, BNY Mellon Investment Management Hong Kong Limited to provide certain operational and business management functions and its affiliate BNY Mellon Managed Investments Limited to provide trading and operational support, client reporting services and middle office support. Additionally, the Firm has entered into an agreement with its affiliate the Bank of New York Mellon, Singapore Branch, to provide certain finance and human resources support, as well as technology services. These affiliates may provide similar services to other affiliates of the Firm.

The Firm has entered into sub-advisory agreements with other BNY Mellon affiliated companies, such as Standish Mellon Asset Management Company, LLC (“Standish”), CenterSquare Investment Management Inc.

One of the Irish funds for which the Firm serves as a sub-adviser engaged BNY Mellon Trust Company (Ireland) Limited, an affiliate of the Firm, to serve as its custodian. In addition, we expect to serve as sub-adviser for certain U.S. funds that have engaged BNYM Asset Servicing, also an affiliate of the Firm, to serve as their custodians. While a potential conflict of interest could exist, our firm is operationally independent of the custodians, we do not share any personnel with these custodian entities nor do we report to any of the same persons as do the custodian entities. We also do not have the legal authority or functional ability to direct either custodian to disburse funds or securities.

Where affiliates of the Firm are appointed as custodian, the Firm will obtain a written internal control report, at least once a year which is issued by an independent public accountant with respect to the custody controls of the client assets.

### Other Relationships:

BNY Mellon personnel, including certain of our employees, may have board, advisory, or other relationships with issuers, distributors, consultants and others that may have investments in a private fund and/or related funds or that may recommend investments in a private fund or distribute interests in a private fund.

To the extent permitted by applicable law, BNY Mellon and its affiliates, including us and our personnel, may make charitable contributions to institutions, including those that have relationships with investors or personnel of investors. As a result of the relationships and arrangements described in this paragraph, placement agents, consultants, distributors and other

parties may have conflicts associated with their promotion of a fund or other dealings with a fund, that create incentives for them to promote a fund.

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

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

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

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

We are affiliated with a significant number of advisers and broker/dealers. Please see our Form ADV, Part 1 - Schedule D, Section 7.A. for a list of our affiliated advisers and broker-dealers. When we select the broker to effect purchases or sales of securities for client accounts, we may use either an affiliated or unaffiliated broker (unless otherwise restricted by an agreement, law or regulation). We may have an incentive to enter into transactions with an affiliated broker-dealer, in an effort to direct more commission dollars to our affiliate.

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

We may be prohibited or limited from effecting transactions for you because of rules in the marketplace, foreign laws or our own policies and procedures. In certain cases, we may face further limitations because of aggregation issues due to our relationship with affiliated investment management firms. Please also refer to Item 12, below, for a discussion of trade aggregation issues.

#### Affiliated Underwriters:

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

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

Affiliated Banking Institutions:

BNY Mellon engages in trust and investment business through various banking institutions, including the Bank and BNY Mellon, National Association. These affiliated banking institutions may provide certain services to us, such as recordkeeping, accounting, marketing services, and referrals of clients. We may provide the affiliated banking institutions with sales and marketing materials regarding our investment management services that may be distributed under the name of certain marketing “umbrella designations” such as BNY Mellon, BNY Mellon Wealth Management, BNY MAM, and BNY AMI.

We may provide certain investment advice and/or security valuation services to the Bank. We also provide certain investment advisory and trading services to certain Bank clients and separately managed accounts (including separately managed accounts for which the Bank acts as trustee, custodian, or investment manager). In addition, our primarily institutional and employee benefit and foundation clients and our affiliated employee benefit plan may invest in certain collective investment funds of the Bank.

Certain clients may have established custodial or sub-custodial arrangements with the Bank and other financial institutions that are affiliated with us. Furthermore, the Bank and other financial institutions that are affiliated with us may provide services (such as trustee, custodial or administrative services) to issuers of securities. Because of their affiliation with us, our ability to purchase securities of such issuers and to take advantage of certain market opportunities may be subject to certain restrictions and in some cases, prohibited.

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

We have adopted a Code of Ethics that is made up of two parts:

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

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

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

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



circumstances and consistent with the PSTP, purchase or sell for their own accounts securities that we also recommend to clients.

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

1. Investment Employee (“IE”): IEs are employees who, as part of their responsibilities, have access to nonpublic information regarding the purchase or sale of securities or nonpublic information regarding the portfolio holdings of any advisory client’s account or Proprietary Account, or are involved in making securities recommendations to advisory clients or have access to such recommendations before they are public.
2. Access Decision Maker (“ADM”): ADMs (generally portfolio managers and research analysts who make recommendations or decisions regarding the purchase or sale of equity, convertible debt and non-investment grade debt securities for mutual funds and other managed accounts) are subject to the most extensive procedures under the PSTP.

#### PSTP Overview:

1. IEs and ADMs are subject to preclearance and personal securities reporting requirements, with respect to discretionary (non-managed) accounts in which they have direct or indirect ownership;
2. Transaction reporting is not required for non-discretionary (managed) accounts, transactions in exempt securities or certain other transactions that are not deemed to present any potential conflicts of interest;
3. Preclearance is not required for transactions involving certain exempt securities (such as open-end investment company securities that are not Proprietary Funds or money market funds, non-financial commodities;; transactions done pursuant to automatic investment plans; and certain other transactions detailed in the PSTP which are either involuntary or deemed not to present any potential conflict of interest);
4. We have a “Preclearance Compliance Officer” who maintains a “restricted list” of companies whose securities are subject to trading restrictions. This list is used by the Preclearance Compliance Officer to determine whether or not to grant trading authorization;
5. The acquisition of any securities (excluding exempt securities), including private placement or initial public offering requires prior written approvals;
6. With respect to transactions involving BNY Mellon securities, all employees are also prohibited from engaging in short sales, purchases on margin, option transactions (other than employee option plans), and short-term trading (*i.e.*, purchasing and

- selling, or selling and purchasing BNY Mellon securities within any 60 calendar day period);
7. With respect to non-BNY Mellon securities purchasing and selling, or selling and purchasing the same or equivalent security within 60 calendar days is discouraged, and any profits must be disgorged;
  8. No covered employee should knowingly participate in or facilitate late trading, market timing or any other activity with respect to any fund in violation of applicable law or the provisions of such fund's disclosure documents;
  9. In order to comply with local law and regulations, employees may be subject to additional restrictions, and the Code of Ethics may be subject to additional modifications, subject to applicable U.S. law; and
  10. A copy of our Code of Ethics will be provided upon request.

As an additional control measure, certain employees of the Firm that are designated as ADMs and IEs with respect to the Global Real Estate Securities strategies are prohibited from trading securities in discretionary (non-managed) accounts that are part of the Firm's universe of investable real estate public securities. A restricted security list serves to prohibit ADM and IE preclearance of restricted real estate securities.

### **Interest in Client Transactions**

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

#### **Principal Transactions:**

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

It is our policy that neither we nor any of our officers or directors shall, as principal, buy securities for itself from, or sell securities it owns to, any client, except as permitted by law. However, we are part of a large diversified financial organization, which includes banks and broker-dealers. As a result, it is possible that a related person other than our officers and directors, may, as principal, purchase securities from, or sell securities to our clients.



### Cross Transactions:

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

### Transactions in Same Securities:

Subject to client agreement, we permit investments in the same securities that our affiliates recommend to clients. Our affiliates may also invest in the same securities that we or our other affiliates recommend to clients. When we or an affiliate currently holds for our own benefit the same securities as a client, we could be viewed as having a potential conflict of interest. For example, we or our affiliate could be seen as harming the performance of the client’s account for our own benefit if we short sell the securities in our own account while holding the same securities long in the client account, causing the market value of the securities to move lower.

### Interests in Recommended Securities/Products:

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

Further, a potential conflict of interest could be viewed as arising if a transaction in our own account closely precedes a transaction in related securities in a client account, such as when a subsequent purchase by a client account increases the value of securities that were previously purchased for our self. Our compliance personnel review periodic transaction reports and

holdings reports on our accounts to evaluate and to assess potential harm caused by trades in our account to client accounts.

### **Investments by Related Persons and Employees**

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

### **Agency Transactions Involving Affiliated Brokers**

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

## **Item 12. Brokerage Practices**

### **Broker Selection:**

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

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

### **Soft Dollar Arrangements:**

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

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

As a matter of policy, with respect to our U.S. clients, we do not utilize "soft dollar" arrangements of the nature where an adviser receives "credits" to be used for various services and products, including those of a third party, but do receive research of the type that is customarily provided by brokers or dealers to their institutional customers, which may be useful to us in serving the accounts that we advise. Although our receipt of such research services does not reduce our normal independent research activities, it may enable us to avoid the additional expenses that we might otherwise incur if we were to attempt to independently develop comparable information.

It is possible that some of our affiliates whom we appoint as sub-advisers may have a different policy regarding the use of soft dollars.

The Firm currently only trades in fixed income securities for client portfolios which it sub-manages or advises. In seeking lowest available trading cost and overall best execution, when

trading fixed income securities, the Firm will obtain and consider at least two competitive quotes, except in cases where it is neither possible nor advisable to obtain at least two competitive quotes, in which cases the reason and justification for obtaining only one quote will be documented. These situations in which we likely to obtain one quote include but are not limited to: bonds that are illiquid; bonds that are only held with one broker; small quantity trades (US\$50,000 or less); where seeking more than one quote would reasonably be expected to jeopardize best execution; or issues where there is no competitive market. In addition, the investment management oversight committee will have oversight of the trade evaluation process.

#### Other Brokerage Practices Conflicts of Interest:

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

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

#### Brokerage for Client Referrals:

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

#### Directed Brokerage:

We may accept direction from a client to place trades for a client's account with a particular broker-dealer. At times, a client will instruct us to direct a portion of its commissions to a specified broker-dealer. In the event that such direction occurs, we may have limited capability to negotiate commission levels or obtain volume discounts. In addition, in meeting the client's brokerage directive, we may not be able to aggregate these transactions with transactions we effect for other accounts we manage and we may delay placing the orders for directed accounts until our orders for other accounts have been completed. As a result, the net price paid or received by the directed account may be different than the price paid or received by our other accounts. Directing brokerage may cost clients more money.

Due to the directed brokerage arrangements that a number of our clients have in place, the overall Firm-wide commission rates may be higher than they otherwise would be if we did not participate in any client-directed brokerage programs.

#### Trade Aggregation/Allocation:

When a trade is placed for more than one advisory client, the Firm will typically in its discretion, aggregate orders or block trades when it believes this will result in more favorable execution. All clients may participate in block trades to the extent it is consistent with the accounts'

investment policy, guidelines and restrictions. When trades are aggregated, each account within the block will receive the same price.

If a block order is filled in its entirety, the order will be allocated in accordance with the pre-trade allocation specified. If a block order is partially filled, the order is allocated among the accounts specified on the trade ticket on a pro rata basis in proportion to the intended pre-trade allocation. When trades are aggregated, each account within the block will receive the same price and commission.

Any deviation from the pro rata allocation policy shall be for good cause.

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

#### **Global Real Estate Strategies:**

Portfolio managers of the Global Real Estate Strategies review client accounts continuously to ensure that all accounts are managed in a consistent manner within each strategy, and that we adhere to specific client guidelines. Weekly meetings are generally held between portfolio management and research analysts to review client accounts and holdings.

In addition, we deliver quarterly reports to our clients. These reports generally include account holdings, performance, and general market conditions. We also provide periodic reports in formats required by clients.

Periodic internal reviews are conducted to ensure the client portfolios are managed in accordance with client guidelines and restrictions. Compliance performs a review of client contracts to ensure compliance with investment guidelines and restrictions.

#### **Asian Debt Strategy:**

Portfolio managers review their portfolios continuously to ensure that all accounts are managed in a consistent manner within the strategy, and that investment guidelines are adhered to. The review covers absolute and relative to benchmark positioning and changes made to the portfolios. The review also covers performance of each portfolio, attribution of performance, and reasons for any performance dispersion between like strategies. Portfolio management meets daily to go over current issues, potential strategy shifts, and market changes. Portfolio managers review all trades for all accounts regularly. The portfolio managers conduct daily review of the fixed income account summary data for each account including credit quality, diversification, duration, credit spread, currency and yield curve distribution. Such reviews take into account, but are not limited to, computer-generated reports that identify targets, and any dispersion from targets, on sectors, curve, duration, etc. The portfolio managers also review performance and investment strategy on a daily, weekly, monthly, and year-to-date basis. Portfolio managers will review each trade prior to allocation, keeping in mind the above targets as well.

There is also an investment management oversight committee (with representatives from investments, compliance and risk) which oversee the investment activities conducted in the region, including the strategies outlined above.

Generally, when we act as the principal investment adviser to a client account, we provide periodic reports in the format mutually agreed upon with clients in the investment management agreement. When we act as a sub-adviser to a client account, the principal investment adviser is generally responsible for providing reports regarding client accounts.



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

### **Unaffiliated Solicitors and Placement Agents:**

We may hire third parties to solicit new investment advisory clients. The commissions or fees, if any, payable to such solicitors (also referred to as placement agents) with respect to solicitation of investments with us will be paid solely by us. Clients will not pay fees for these solicitations. These solicitors have an incentive for the client to hire us because we will pay the solicitor for the referral. The prospect of receiving solicitation/placement fees may provide such placement agents and/or their salespersons with an incentive to favor these sales over the sale of interests of other investments with respect to which the placement agent does not receive such compensation, or receives lower levels of compensation. In addition, to the extent permitted by law, certain placement agents and their respective affiliates may provide brokerage and certain other financial and securities services to us or our affiliates. Such services, if any, will be provided at competitive rates.

### **Affiliated Solicitors and Placement Agents:**

We may pay referral fees to our affiliates (and/or their employees) for referrals that result in additional investment management business. Please see the discussion of affiliated placement agents in Item 10, above.

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

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

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

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

We and our affiliates also participate in the BNY Mellon Incentive Compensation Plan, which presents certain conflicts of interest, all as described in Item 10, above.

## **Item 15. Custody**

Rule 206(4)-2 under the Advisers Act (the “Custody Rule”) defines “custody” to include a situation in which an adviser or a related person holds, directly or indirectly, client funds or securities or has any authority to obtain possession of them, in connection with advisory services provided by the adviser.

For purposes of the Custody Rule, we may be deemed to have “custody” of certain client assets because we have the ability to deduct fees from client custodial accounts and client funds or securities are held by a related person of the Firm.

Generally, an adviser that is deemed to have custody of a client’s funds or securities, among other things, is required to arrange for an annual independent verification of such funds or securities in accordance with the Custody Rule (the “Surprise Exam Requirement”). However, the Custody Rule contains the following exceptions from the Surprise Exam Requirement:

1. Ability to Deduct Fees: advisers deemed to have custody of client assets solely because of their ability to deduct fees from client accounts are not subject to the Surprise Exam Requirement.

The Firm will rely upon this exemption to avoid a surprise audit for certain clients.

2. Related Person & Operational Independence: advisers deemed to have custody of client assets solely because a related person holds client assets will not be subject to the Surprise Exam Requirement, provided the adviser and the related person are “operationally independent.”

The Firm will rely upon this exemption to avoid a surprise audit for certain clients. As we discuss in Item 10, we have determined that our operations are independent from those of the related person holding client assets.

3. Pooled Investment Vehicles: advisers deemed to have custody of the assets of clients formed as pooled investment vehicles will not be subject to the Surprise Exam Requirement, provided the pool has audited financial statements that are prepared in accordance with generally accepted accounting principles and such statements are distributed to investors in the pool within 120 days (or 180 days for funds of funds) at the end of the fiscal year.

The Firm will rely upon this exemption to avoid a surprise audit for certain clients.

### **Separate Account Clients:**

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

## **Item 16. Investment Discretion**

We typically will accept discretionary investment authority over client assets, and clients must grant this discretionary authority to us in writing via a contract, power of attorney, and/or through an appointment to become the investment adviser of a private fund. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives and guidelines for the particular client account.

Clients must deliver their investment guidelines and restrictions to us in writing, and upon our agreement to abide by them, we will adhere to such guidelines and restrictions when making investment decisions.

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

The Firm may provide its advisory services by either delegating certain of its services to a sub-adviser, or acting as sub-adviser. For those clients who have given us, through investment advisory agreement, authority to vote proxies on their behalf, our policy is to delegate such authority to the sub-advisers with which we may contract to provide advisory services. Where the Firm serves as a sub-adviser or is otherwise delegated advisory services by an investment adviser, its policy is to not accept proxy voting authority from the investment adviser, where the investment adviser has been given such authority by the client.

Where the Firm delegates its proxy voting authority to another investment adviser, it will review that adviser's proxy voting policies and procedures and confirm that such policies and procedures are consistent with Rule 206(4)-6 of the Advisers Act.

**Item 18. Financial Information**

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

## **Item 19. Additional Supplemental Information**

### **Class Actions: Litigation**

It is our policy that we do not advise, initiate or take any other action on behalf of our U.S. clients relating to securities held in the clients' accounts managed by us in any legal proceeding (including, without limitation, class actions, class action settlements and bankruptcies). We do not file proofs of claims relating to securities held in the client's account and do not notify the client or the client's custodian of class action settlements or bankruptcies relating in any way to such account. Typically, custodians submit filings in connection with class action settlements and may also handle bankruptcy filings. Each client should consult with its custodian and other service providers to ensure such coverage.