

# Neuberger Berman Investment Advisers LLC

## Client Brochure

March 30, 2016

190 South LaSalle Street  
Chicago, Illinois 60603  
[www.nb.com](http://www.nb.com)

This Brochure provides information about the qualifications and business practices of Neuberger Berman Investment Advisers LLC ("**NBIA**"). If you have any questions about the contents of this Brochure, please contact us at 212-476-9000 or by email at: [NBIA.ADVINFO@nb.com](mailto:NBIA.ADVINFO@nb.com).

NBIA is registered as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "**Advisers Act**"). NBIA is subject to the Advisers Act rules and regulations adopted by the U.S. Securities and Exchange Commission ("**SEC**"). Registration as an investment adviser does not imply any particular level of skill or training.

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

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The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

## Item 2: Material Changes

The following is a summary of the material changes set forth herein that have been made to this Brochure since the last update on January 4, 2016 (which update reflected NBIA's receipt of certain businesses from its affiliates Neuberger Berman LLC, NB Alternative Investment Management LLC and Neuberger Berman Management LLC). This Brochure will be updated at least annually and we may further provide other ongoing disclosure information about material changes as necessary.

Item No.	Description of Material Changes
4	Disclosure added regarding NBIA's provision of investment advisory services to NB PE Closed-End Funds (as defined below). Additional disclosure added in applicable sections.

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## Item 4: Advisory Business

### A. Description of the Firm

Neuberger Berman Investment Advisers LLC (“**NBIA**”) is a Delaware limited liability company, formed in November 2002 and registered with the U.S. Securities and Exchange Commission (the “**SEC**”) in January 2003. Previously known as Neuberger Berman Fixed Income LLC, the firm adopted its present name on January 1, 2016, concurrent with its receipt of certain businesses from its affiliates Neuberger Berman LLC (“**NB LLC**”), NB Alternative Investment Management LLC (“**NBAIM**”) and Neuberger Berman Management LLC (“**NBM**”). The combined firms’ antecedents date to the founding of Neuberger & Berman in 1939, the predecessor to NB LLC. NBIA’s principal office is located in Chicago, Illinois. NBIA is directly owned by Neuberger Berman Fixed Income Holdings LLC and Neuberger Berman AA LLC, which are wholly-owned subsidiaries of Neuberger Berman Group LLC (“**NBG**”).

NBIA is registered with the U.S. Commodity Futures Trading Commission as a Commodity Trading Advisor (“**CTA**”) and a Commodity Pool Operator (“**CPO**”) and is a member of the U.S. National Futures Association.

NBIA provides a wide range of discretionary investment management services to a variety of clients, including individuals, institutions, registered investment companies, non-U.S. registered funds, collective investment trusts and private investment funds. The firm also provides discretionary investment management services and non-discretionary securities recommendations through wrap fee programs, and acts as sub-adviser to a variety of products, including registered investment companies, separately managed accounts, non-U.S. registered funds, and private investment vehicles.

#### *Indirect Ownership Background – Neuberger Berman Group*

NBG is a holding company the subsidiaries of which (collectively referred to herein as the “**Firm**” or “**Neuberger Berman**”) provide a broad range of global investment solutions – equity, fixed income, multi-asset class and alternatives – to institutions and individuals through products including separately managed accounts, mutual funds and private investment vehicles. As of December 31, 2015, Neuberger Berman had approximately \$240 billion under management.<sup>1</sup>

NBG’s voting equity is wholly owned by NBSH Acquisition, LLC (“**NBSH**”). NBSH is owned by current and former employees, directors, consultants and, in certain instances, their permitted transferees. As of December 31, 2015, approximately 450 employees owned an equity stake in the Firm. Each of those employees has entered into an agreement that provides strong incentives to continue with the organization, and has a number of restrictive covenants in the event the employee leaves the Firm.

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<sup>1</sup> Firm assets under management figures reflect the collective assets for the various affiliated investment advisers that are subsidiaries of NBG.

Neuberger Berman is headquartered in New York City. As of December 31, 2015, Neuberger Berman had approximately 2100 employees across 34 offices in 19 countries around the world.

NBIA's investment management services are further discussed below.

## **B. Types of Advisory Services**

NBIA currently provides the following types of advisory services:

### ***Separately Managed Accounts***

NBIA provides ongoing discretionary investment management services to institutional and individual clients with respect to assets held in the client's custodial account (collectively, "**Separate Accounts**") based on customized investment objectives or guidelines, time horizons, risk tolerances, policies and limitations of those clients. Separate Accounts are generally serviced by the institutional segment of NBIA's business ("**Institutional Accounts**"), but some Separate Accounts are serviced by the Private Asset Management segment of NBIA's business ("**Private Asset Management Accounts**").

### ***Proprietary Registered Investment Companies***

NBIA serves as investment adviser to certain investment companies that are registered under the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**"), including open-end investment companies that are distributed by one or more of NBIA's affiliates (the "**NB Mutual Funds**") and closed-end funds ("**NB Closed-End Funds**", and together with NB Mutual Funds, "**NB Registered Funds**"). The NB Closed-End Funds include funds that issued limited liability company interests in private placement transactions only to persons or entities that were both "accredited investors" as defined in Section 501(a) of Regulation D under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and "qualified clients" as defined in Rule 205-3 under the Advisers Act (the "**NB PE Closed-End Funds**").

NBIA typically provides investment services that may include, among other things, determination as to: (a) which securities to buy or sell; (b) the total amount of securities to buy or sell; (c) the broker or dealer through which securities are bought or sold; (d) the commission rates at which securities transactions are effected; and (e) the prices at which securities are to be bought or sold, which may include dealer spreads or mark-ups and transaction costs. NBIA also selects and oversees sub-advisers for certain of the NB Registered Funds. The advisory services provided by NBIA to the NB Registered Funds cover a broad range of strategies and investments. NBIA carries out its duties subject to the general oversight of each NB Registered Fund's Board of Trustees. NBIA has entered into sub-advisory agreements with certain of its affiliates, including Neuberger Berman Asia Limited and Neuberger Berman Europe Limited, whereby those affiliates provide investment advisory services to certain of the proprietary open-end registered investment companies. NBIA has also entered into sub-advisory agreements with certain of its affiliates, including NB Alternatives Advisers LLC, whereby those affiliates provide investment advisory services to the NB PE Closed-End Funds. Clients should refer to each NB Registered Fund's summary prospectus, prospectus, Statement of Additional

Information, offering/placement memorandum and constitutional documents (the “**Offering Documents**”) for additional information.

### ***Private Investment Vehicles***

NBIA acts as the investment manager, providing discretionary investment management services to affiliated and unaffiliated privately offered investment vehicles (“**Private Funds**”).

The Private Funds are generally organized or “sponsored” by NBIA or an affiliate of NBIA, and NBIA or an affiliate of NBIA will typically act as the managing member or general partner of the Private Funds. For certain Private Funds, affiliates of the Firm may also serve as officers, directors or other persons authorized to facilitate the operation of the Private Funds. In some cases, NBIA may serve as an adviser or sub-adviser to Private Funds that are organized, managed or sponsored by entities that are not affiliated with NBIA.

The Private Funds are not registered under the Investment Company Act, and their shares or interests, as applicable, are not registered under the Securities Act, and are instead sold to qualified investors who meet certain criteria on a private placement basis. Accordingly, the Private Funds are not publicly offered in the United States. Private Funds may or may not be continuously offered.

For a list of certain of the Private Funds, please refer to Section 7.B.(1) and (2) of Schedule D of Part 1 of NBIA’s Form ADV which is publicly available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### ***Sub-Advisory Services***

NBIA acts as sub-adviser to a variety of products, including the following (collectively, the “**Sub-Advised Accounts**”):

- unaffiliated open-end investment companies registered under the Investment Company Act (“**Third-Party Mutual Funds**”);
- affiliated and non-affiliated non-U.S. funds registered under the securities laws of offshore jurisdictions (“**Non-U.S. Registered Funds**”), including Undertakings for Collective Investments in Transferable Securities (“**UCITS**”);
- Separate Accounts; and
- Private Funds.

### ***Wrap Program Accounts***

NB LLC provides advisory or sub-advisory services to sponsors of wrap fee programs (“**Wrap Programs**”) with respect to the sponsors’ clients (“**Wrap Program Clients**”), through its participation in such programs. See Item 4.D.

The Separate Accounts, NB Registered Funds, Private Funds, Sub-Advised Accounts and Wrap Program Client accounts are collectively referred to herein as the “**Client Accounts**.”

### ***Non-Discretionary and Consulting Services***

In limited circumstances, NBIA provides non-discretionary investment management services to institutional and individual clients whereby it is required to consult with a client before effecting any transactions for the client's account ("**Non-Discretionary Accounts**"). For those accounts, NBIA services may include (i) ongoing responsibility to select and make recommendations to a client as to specific securities or other investments that may be purchased or sold for a client's account, and, if NBIA's recommendations are accepted by the client, to arrange or effect the purchase or sale of such securities or other investments; and (ii) non-binding investment advice in the form of written investment analyses on specific securities.

As part of its structured product capabilities, NBIA also provides non-discretionary advisory and consulting services to institutional clients with respect to the valuation of mortgage loans and mortgage-backed and other asset-backed securities ("**Consulting Services**"). In addition, it has developed proprietary mortgage loan analytic software (the "**NBIA Software**") used to analyze mortgage loans on an individual and aggregate loan level basis by application of value and risk models and analytical metrics to loan portfolios. For certain clients, NBIA licenses and supports the NBIA Software for non-exclusive use by such clients and, in connection therewith, provides installation and training on the use and application of the NBIA Software.

### **C. Client Tailored Services and Client Tailored Restrictions**

NBIA enters into discretionary and non-discretionary investment management agreements with its Separate Account clients. See Item 16. Clients may impose restrictions on investing in certain securities or other assets in accordance with their particular needs. However, NBIA may decide not to accommodate investment restrictions deemed unduly burdensome or materially incompatible with NBIA's investment approach. Client directed investment restrictions could cause the performance of the account with restrictions to deviate from the performance of other accounts following the same or similar strategies. From time to time, NBIA may be engaged to provide limited investment management services such as liquidating a client's account.

For certain of NBIA's large institutional Separate Account clients, NBIA offers customized multi-asset or multi-strategy investment management services that utilize the services of NBIA and its affiliates ("**Multi-Asset Mandates**"). Certain of those clients may impose restrictions on investing in certain securities or other assets in accordance with their particular needs. Other clients may allow NBIA to determine, and change from time to time, the asset allocation among asset classes and investment strategies of NBIA and its affiliates for their accounts based on the clients' investment objectives, tax considerations and other client specific factors. Clients may also have access to customized educational programs or participate in, or be involved in the selection of, investment management research projects of NBIA and its affiliates.

NBIA enters into discretionary investment management agreements with Private Funds. Services are performed in accordance with the terms of each such agreement. Each Private Fund may impose investment restrictions as it deems appropriate. Such investment restrictions are typically set forth in the offering prospectus or memorandum ("**Offering Memorandum**") for each Private Fund.



NBIA has entered into discretionary investment advisory or management agreements with the NB Registered Funds. Each NB Registered Fund or strategy managed by NBIA is managed in accordance with the investment objectives, policies and strategies of the NB Registered Fund, as described in its Offering Documents. Each NB Registered Fund has a Board of Trustees/Directors/Managers that is responsible for providing oversight of the NB Registered Fund. Each NB Registered Fund and its Board of Trustees/Directors/Managers have the ability to impose restrictions on investing in certain securities or types of securities.

In the case of the Sub-Advised Accounts, NBIA enters into a sub-advisory agreement with the relevant investment adviser. The terms and conditions of those arrangements may vary, and any contact between NBIA and the ultimate client will typically take place through the relevant investment adviser. Each Sub-Advised Account is managed in accordance with the investment objectives, policies and restrictions set forth in the sub-advisory agreement between NBIA and the investment adviser.

The investment guidelines of the Separate Accounts, Sub-Advised Accounts and Wrap Program Clients may restrict the ability of NBIA to invest in NB Registered Funds or Private Funds.

See Item 4.D for a description of client-tailored services and the restrictions on Wrap Programs.

Imposing account restrictions may adversely affect account performance as compared to unrestricted accounts that NBIA manages with the same investment strategy.

#### **D. Wrap Programs**

NBIA participates as an investment manager in discretionary and non-discretionary Wrap Programs. A Wrap Program is an investment program where the clients of the Wrap Program sponsors (each, a **"Wrap Program Client"**) generally pay to the sponsors one all-inclusive fee that covers investment management, trade execution, custodial services and other administrative services. The sponsors of a Wrap Program (the **"Wrap Sponsors"**) are typically broker-dealers, financial institutions or other investment advisers that establish, operate and administer the Wrap Programs. The Wrap Sponsors are responsible for reviewing the financial circumstances, investment objectives, risk tolerances and investment restrictions of each Wrap Program Client. The Wrap Sponsors are responsible for determining the suitability of the Wrap Program and the investment strategy(ies) selected for each Wrap Program Client.

In discretionary Wrap Programs, the Wrap Sponsor typically selects or appoints NBIA as its sub-adviser to manage designated assets of its Wrap Program Clients in one or more investment strategies. In those discretionary Wrap Programs, NBIA has investment discretion over the designated assets in the accounts of the Wrap Program Clients. NBIA manages the accounts in accordance with the selected investment strategy and reasonable client-directed restrictions.

Subject to its obligation to seek best execution, NBIA generally executes trades for Wrap Program Client accounts through the Wrap Sponsors. When trades are executed through the Wrap Sponsors, the all-inclusive fee paid by each Wrap Program Client typically covers all brokerage commissions and execution costs on the trades. When NBIA chooses to trade away from the Wrap Sponsors and execute trades through broker-dealers other than the Wrap

Sponsors, the Wrap Program Clients may incur execution costs in addition to the wrap fees they pay to the Wrap Sponsors. Please refer to Item 5.C and Item 12 for a further description of additional execution costs that may be incurred by Wrap Program Clients. Clients that enroll in Wrap Programs should satisfy themselves that the Wrap Sponsors are able to provide best execution of transactions.

NBIA also participates in non-discretionary Wrap Programs. In those Wrap Programs, NBIA furnishes investment advice and recommendations to the Wrap Sponsors through the provision of model portfolios ("**Model Portfolio Wrap Program**"). The Wrap Sponsors may use NBIA's model portfolios and updates, either alone or together with other model portfolios, to manage the accounts of the Wrap Program Clients, although the Wrap Sponsors retain investment discretion over the accounts. NBIA is solely responsible for providing to the Wrap Sponsors its model portfolios.

The services provided by each of NBIA and the Wrap Sponsors are described in the Wrap Sponsors' disclosure materials and the contracts Wrap Sponsors have with their Wrap Program Clients.

NBIA does not generally communicate directly with Wrap Program Clients (including communications with respect to changes in a Wrap Program Client's investment objectives or restrictions), and all such communications generally must be directed through the Wrap Sponsor. Also, NBIA does not provide overall investment supervisory services to Wrap Program Clients. NBIA is not in a position to and is not responsible for determining the suitability of any Wrap Program or any investment strategies available under the Wrap Program to Wrap Program Clients.

Please refer to Section 5.I.(2) of Schedule D to Part 1 of NBIA's Form ADV for a full list of the Wrap Programs in which NBIA participates.

#### **E. Assets under Management**

<b><u>Discretionary Amounts:</u></b>	<b><u>Non-Discretionary Amounts:</u></b>	<b><u>Date Calculated:</u></b>
\$155,478,566,255	\$6,629,684,582	12/31/2015*

\* Takes into account NBIA's receipt of certain businesses from NB LLC, NBAIM and NBM as of January 1, 2016.

## Item 5: Fees and Compensation

### A. Fee Schedule

#### I. Separate Accounts

NBIA's standard fee schedules for Separate Accounts are set forth below. See also Item 7 for minimum account size requirements. Management fees for Separate Accounts are generally based on a percentage of the market value of the assets held in the Separate Account. Separate Accounts may be subject to minimum annual fees. NBIA may negotiate the Separate Account standard fee schedules from time to time for certain accounts based on a variety of factors including, but not limited to, the account size, investment objectives, whether or not the Separate Account involves a Multi-Asset Mandate and the type and number of other accounts a client has with NBIA, including other accounts with affiliates of NBIA. In some instances, based upon particular facts and circumstances and, as permitted by applicable law, NBIA as a courtesy may, in its sole discretion, permit "family billing" arrangements, where the account values of two or more related accounts are combined for the purpose of reducing the overall fees paid by the account. There may also be differences in fees paid by certain clients based on account inception dates, including clients who became clients as the result of an acquisition or "lift-out" of a firm or investment personnel by NBIA, or whose accounts are managed or serviced by individuals or teams who have joined NBIA through such an acquisition or lift-out. In addition, certain Separate Account fee schedules may be higher than the schedules set forth below for clients who request different risk/return profiles than the standard objectives for a particular strategy (for example, this may arise with respect to the Opportunistic Fixed Income strategy). Also, certain strategies may not have standard fee schedules but are individually negotiated based on client specifications. Unless otherwise agreed with the client, fees are typically adjusted to reflect client-directed contributions to, and withdrawals from, the account. Employees of the Firm are generally eligible for fee waivers or discounts on NBIA products.

NBIA may also charge performance-based fees on some of its Separate Accounts, subject to eligibility requirements under the Advisers Act and other applicable laws. Such fee arrangements are negotiated with the client. Generally, those arrangements include a base fee based on a percentage of the market value of the assets held in the Separate Account plus a performance-based fee ("**Performance Fee**") based on the account's performance exceeding a specified benchmark's performance over a specified time period.

<b><u>Strategy</u></b>	<b><u>Advisory Fee</u></b>
Bank Loan	<ul style="list-style-type: none"><li>• 0.55% of the first \$50 million of market value;</li><li>• 0.45% of the next \$250 million; and</li><li>• 0.35% of the balance</li></ul>

<b><u>Strategy</u></b>	<b><u>Advisory Fee</u></b>
Commodities	<ul style="list-style-type: none"> <li>• 0.85% of the first \$50 million of market value;</li> <li>• 0.45% of the next \$50 million; and</li> <li>• 0.35% of the balance</li> </ul>
Core Bond	<ul style="list-style-type: none"> <li>• 0.30% of the first \$50 million of market value;</li> <li>• 0.25% of the next \$100 million;</li> <li>• 0.20% of the next \$100 million;</li> <li>• 0.15% of the next \$250 million; and</li> <li>• 0.12% of the balance</li> </ul>
Core Plus Bond	<ul style="list-style-type: none"> <li>• 0.35% of the first \$50 million of market value;</li> <li>• 0.25% of the next \$100 million;</li> <li>• 0.20% of the next \$100 million;</li> <li>• 0.15% of the next \$250 million; and</li> <li>• 0.12% of the balance</li> </ul>
Crossover Credit	<ul style="list-style-type: none"> <li>• 0.45% of the first \$100 million of market value; and</li> <li>• 0.35% of the balance</li> </ul>
Diversified Currency	<ul style="list-style-type: none"> <li>• 0.50% of the first \$25 million of market value;</li> <li>• 0.45% of the next \$50 million;</li> <li>• 0.40% of the next \$50 million; and</li> <li>• 0.35% of the balance</li> </ul>
Diversified Currency High Alpha	<ul style="list-style-type: none"> <li>• 0.70% of the first \$25 million of market value;</li> <li>• 0.65% of the next \$50 million;</li> <li>• 0.55% of the next \$50 million; and</li> <li>• 0.45% of the balance</li> </ul>
Dynamic Beta Navigator	<ul style="list-style-type: none"> <li>• 0.45% of the first \$100 million of market value; and</li> <li>• 0.35% of the balance</li> </ul>
Emerging Market Debt - Corporate & Blend	<ul style="list-style-type: none"> <li>• 0.65% of the first \$100 million of market value;</li> <li>• 0.55% of the next \$150 million; and</li> <li>• 0.45% of the balance</li> </ul>
Emerging Market Debt - Hard Currency	<ul style="list-style-type: none"> <li>• 0.55% of the first \$100 million of market value;</li> <li>• 0.45% of the next \$150 million; and</li> <li>• 0.35% of the balance</li> </ul>

<b><u>Strategy</u></b>	<b><u>Advisory Fee</u></b>
Emerging Market Debt - Local Currency	<ul style="list-style-type: none"> <li>• 0.60% of the first \$100 million of market value;</li> <li>• 0.50% of the next \$150 million; and</li> <li>• 0.40% of the balance</li> </ul>
Emerging Market Debt- Short Duration	<ul style="list-style-type: none"> <li>• 0.45% of the first \$100 million of market value;</li> <li>• 0.35% of the next \$150 million; and</li> <li>• 0.25% of the balance</li> </ul>
Enhanced Cash	<ul style="list-style-type: none"> <li>• 0.175% of the first \$50 million of market value;</li> <li>• 0.15% of the next \$50 million;</li> <li>• 0.12% of the next \$150 million;</li> <li>• 0.10% of the next \$250 million; and</li> <li>• 0.08% of the balance</li> </ul>
Enhanced Index/Enhanced Mortgage	<ul style="list-style-type: none"> <li>• 0.10% of the first \$50 million of market value;</li> <li>• 0.08% of the next \$100 million;</li> <li>• 0.04% of the next \$350 million;</li> <li>• 0.03% of the next \$500 million;</li> <li>• 0.0225% of the next \$1 billion;</li> <li>• 0.02% of the next \$500 million; and</li> <li>• 0.0175% of the balance</li> </ul>
European High Yield	<ul style="list-style-type: none"> <li>• 0.55% of the first \$50 million of market value;</li> <li>• 0.45% of the next \$250 million; and</li> <li>• 0.35% of the balance</li> </ul>
European IG Credit	<ul style="list-style-type: none"> <li>• 0.35% of the first \$50 million of market value;</li> <li>• 0.25% of the next \$250 million; and</li> <li>• 0.20% of the balance</li> </ul>
Full Market High Yield	<ul style="list-style-type: none"> <li>• 0.55% of the first \$50 million of market value;</li> <li>• 0.45% of the next \$250 million; and</li> <li>• 0.35% of the balance</li> </ul>
Global Bond Absolute Return/Unconstrained Bond	<ul style="list-style-type: none"> <li>• 0.60% of the first \$50 million of market value;</li> <li>• 0.50% of the next \$100 million; and</li> <li>• 0.45% of the balance</li> </ul>
Global Fixed Income	<ul style="list-style-type: none"> <li>• 0.40% of the first \$50 million of market value;</li> <li>• 0.30% of the next \$100 million;</li> <li>• 0.25% of the next \$100 million; and</li> <li>• 0.20% of the balance</li> </ul>

<b><u>Strategy</u></b>	<b><u>Advisory Fee</u></b>
Global IG Credit	<ul style="list-style-type: none"> <li>• 0.40% of the first \$50 million of market value;</li> <li>• 0.30% of the next \$250 million; and</li> <li>• 0.25% of the balance</li> </ul>
Global Opportunistic Fixed Income & Opportunistic Credit	<ul style="list-style-type: none"> <li>• 0.55% of the first \$50 million of market value;</li> <li>• 0.45% of the next \$100 million; and</li> <li>• 0.40% of the balance</li> </ul>
Investment Grade Credit	<ul style="list-style-type: none"> <li>• 0.35% of the first \$50 million of market value;</li> <li>• 0.25% of the next \$250 million; and</li> <li>• 0.20% of the balance</li> </ul>
Liability Driven Investing	<ul style="list-style-type: none"> <li>• 0.30% of the first \$50 million of market value;</li> <li>• 0.25% of the next \$100 million;</li> <li>• 0.20% of the next \$100 million; and</li> <li>• 0.15% of the balance</li> </ul>
Municipal Cash	<ul style="list-style-type: none"> <li>• 0.25% of the first \$25 million of market value;</li> <li>• 0.15% of the next \$25 million;</li> <li>• 0.10% of the next \$150 million; and</li> <li>• 0.08% of the balance</li> </ul>
Municipal/Tax Exempt	<ul style="list-style-type: none"> <li>• 0.30% of the first \$50 million of market value;</li> <li>• 0.25% of the next \$50 million;</li> <li>• 0.20% of the next \$100 million; and</li> <li>• 0.10% of the balance</li> </ul>
Opportunistic Fixed Income	<ul style="list-style-type: none"> <li>• 0.50% of the first \$50 million of market value;</li> <li>• 0.40% of the next \$100 million; and</li> <li>• 0.35% of the balance</li> </ul>
Passive Corporate	<ul style="list-style-type: none"> <li>• 0.10% of the first \$50 million of market value;</li> <li>• 0.08% of the next \$100 million;</li> <li>• 0.04% of the next \$350 million;</li> <li>• 0.03% of the next \$500 million;</li> <li>• 0.0225% of the next \$1 billion;</li> <li>• 0.02% of the next \$500 million; and</li> <li>• 0.0175% of the balance</li> </ul>

<b><u>Strategy</u></b>	<b><u>Advisory Fee</u></b>
Passive Index/Passive Government	<ul style="list-style-type: none"> <li>• 0.08% of the first \$50 million of market value;</li> <li>• 0.065% of the next \$100 million;</li> <li>• 0.032% of the next \$350 million;</li> <li>• 0.025% of the next \$500 million;</li> <li>• 0.018% of the next \$1 billion;</li> <li>• 0.016% of the next \$500 million; and</li> <li>• 0.014% of the balance</li> </ul>
Short Duration	<ul style="list-style-type: none"> <li>• 0.20% of the first \$50 million of market value;</li> <li>• 0.15% of the next \$50 million;</li> <li>• 0.12% of the next \$150 million;</li> <li>• 0.10% of the next \$250 million; and</li> <li>• 0.08% of the balance</li> </ul>
Short Duration High Yield	<ul style="list-style-type: none"> <li>• 0.55% of the first \$50 million of market value;</li> <li>• 0.45% of the next \$250 million; and</li> <li>• 0.35% of the balance</li> </ul>
TIPS	<ul style="list-style-type: none"> <li>• 0.15% of the first \$100 million of market value;</li> <li>• 0.10% of the next \$200 million; and</li> <li>• 0.08% of the balance</li> </ul>
Large Cap Disciplined Growth	<ul style="list-style-type: none"> <li>• 0.65% of the first \$35 million of market value;</li> <li>• 0.40% of the next \$65 million;</li> <li>• 0.30% of the next \$100 million; and</li> <li>• 0.25% of the balance</li> </ul>
Mid Cap Growth	<ul style="list-style-type: none"> <li>• 0.80% of the first \$25 million of market value;</li> <li>• 0.65% of the next \$25 million;</li> <li>• 0.60% of the next \$50 million; and</li> <li>• 0.50% of the balance</li> </ul>
Small Cap Growth	<ul style="list-style-type: none"> <li>• 1.00% of the first \$25 million of market value;</li> <li>• 0.80% of the next \$25 million; and</li> <li>• 0.70% of the balance</li> </ul>
Large Cap Value	<ul style="list-style-type: none"> <li>• 0.65% of the first \$25 million of market value;</li> <li>• 0.50% of the next \$25 million;</li> <li>• 0.40% of the next 50 million;</li> <li>• 0.30% of the next \$100 million; and</li> <li>• 0.25% of the balance</li> </ul>

<b><u>Strategy</u></b>	<b><u>Advisory Fee</u></b>
Systematic Large Cap Value	<ul style="list-style-type: none"> <li>• 0.65% of the first \$25 million of market value;</li> <li>• 0.50% of the next \$25 million;</li> <li>• 0.40% of the next \$50 million;</li> <li>• 0.30% of the next \$100 million; and</li> <li>• 0.25% of the balance</li> </ul>
Mid Cap Intrinsic Value	<ul style="list-style-type: none"> <li>• 0.75% of the first \$25 million of market value;</li> <li>• 0.65% of the next \$25 million;</li> <li>• 0.60% of the next \$50 million; and</li> <li>• 0.50% of the balance</li> </ul>
Small Cap Value	<ul style="list-style-type: none"> <li>• 1.00% of market value of all assets</li> </ul>
Small Cap Intrinsic Value	<ul style="list-style-type: none"> <li>• 1.00% of the first \$20 million of market value;</li> <li>• 0.85% of the next \$20 million;</li> <li>• 0.80% of the next \$20 million; and</li> <li>• 0.75% of the balance</li> </ul>
Socially Responsible Investing	<ul style="list-style-type: none"> <li>• 1.00% of the first \$10 million of market value;</li> <li>• 0.65% of the next \$25 million; and</li> <li>• 0.40% of the balance</li> </ul>
Real Estate Securities	<ul style="list-style-type: none"> <li>• 0.75% of the first \$25 million of market value;</li> <li>• 0.65% of the next \$25 million;</li> <li>• 0.55% of the next \$100 million; and</li> <li>• 0.50% of the balance</li> </ul>
International Select	<ul style="list-style-type: none"> <li>• 0.85% of the first \$25 million of market value;</li> <li>• 0.60% of the next \$25 million;</li> <li>• 0.50% of the next \$150 million; and</li> <li>• 0.40% of the balance</li> </ul>
Core Equity	<ul style="list-style-type: none"> <li>• 0.65% of the first \$25 million of market value;</li> <li>• 0.50% of the next \$25 million;</li> <li>• 0.40% of the next \$50 million;</li> <li>• 0.30% of the next \$100 million; and</li> <li>• 0.25% of the balance</li> </ul>
Equity Income	<ul style="list-style-type: none"> <li>• 1.00% of the first \$10 million of market value;</li> <li>• 0.80% of the next \$15 million;</li> <li>• 0.60% of the next \$75 million; and</li> <li>• 0.50% of the balance</li> </ul>



<b><u>Strategy</u></b>	<b><u>Advisory Fee</u></b>
International All Cap	<ul style="list-style-type: none"> <li>• 1.00% of the first \$10 million of market value;</li> <li>• 0.75% of the next \$25 million; and</li> <li>• 0.50% of the balance</li> </ul>
Emerging Markets Equity	<ul style="list-style-type: none"> <li>• 1.00% of the first \$25 million of market value;</li> <li>• 0.90% of the next \$25 million;</li> <li>• 0.85% of the next \$150 million; and</li> <li>• 0.75% of the balance</li> </ul>
MLPs	<ul style="list-style-type: none"> <li>• 0.75% of the first \$50 million of market value;</li> <li>• 0.65% of the next \$50 million; and</li> <li>• 0.55% of the balance</li> </ul>
Global Equity	<ul style="list-style-type: none"> <li>• 0.75% of the first \$25 million of market value;</li> <li>• 0.55% of the next \$25 million;</li> <li>• 0.45% of the next \$150 million; and</li> <li>• 0.40% of the balance</li> </ul>
Asian Opportunities	<ul style="list-style-type: none"> <li>• 0.85%</li> </ul>
Flex Equity	<ul style="list-style-type: none"> <li>• 0.85% of the first \$50 million of market value;</li> <li>• 0.80% of the next \$50 million;</li> <li>• 0.75% of the next \$400 million;</li> <li>• 0.70% of the next \$500 million; and</li> <li>• 0.65% of the balance</li> </ul>
Risk Balanced Global Equity	<ul style="list-style-type: none"> <li>• 0.55% of the first \$25 million of market value;</li> <li>• 0.45% of the next \$25 million;</li> <li>• 0.35% of the next \$150 million; and</li> <li>• 0.30% of the balance</li> </ul>
Systematic Global Equity	<ul style="list-style-type: none"> <li>• 0.65% of the first \$25 million of market value;</li> <li>• 0.55% of the next \$25 million;</li> <li>• 0.45% of the next \$150 million; and</li> <li>• 0.40% of the balance</li> </ul>
Systematic Emerging Markets Equity	<ul style="list-style-type: none"> <li>• 0.90% of the first \$25 million of market value;</li> <li>• 0.80% of the next \$25 million;</li> <li>• 0.75% of the next \$150 million; and</li> <li>• 0.65% of the balance</li> </ul>

<b><u>Strategy</u></b>	<b><u>Advisory Fee</u></b>
International ACWI ex-US	<ul style="list-style-type: none"> <li>• 0.85% of the first \$25 million of market value;</li> <li>• 0.60% of the next \$25 million; and</li> <li>• 0.50% of the balance</li> </ul>
Global REIT	<ul style="list-style-type: none"> <li>• 0.80% of the first \$25 million of market value;</li> <li>• 0.70% of the next \$25 million;</li> <li>• 0.60% of the next \$100 million; and</li> <li>• 0.50% of the balance</li> </ul>
Global Equity Index Put Write	<ul style="list-style-type: none"> <li>• 0.65% of the first \$50 million of market value;</li> <li>• 0.55% of the next \$50 million; and</li> <li>• 0.45% of the balance</li> </ul>
US Equity Index Put Write	<ul style="list-style-type: none"> <li>• 0.45% of the first \$50 million of market value;</li> <li>• 0.40% of the next \$50 million; and</li> <li>• 0.35% of the balance</li> </ul>
Private Asset Management Accounts - Schedule 556 (The minimum quarterly fee is \$750)	<ul style="list-style-type: none"> <li>• 0.30% of the first \$100 million of market value;</li> <li>• 0.25% of the next \$50 million; and</li> <li>• 0.20% of the balance</li> </ul>

## II. PRIVATE FUNDS

Pursuant to NBIA's investment management agreement with each Private Fund, NBIA will receive a management fee that generally is based on the net asset value ("**NAV**") of each investor's account in the Private Fund or the invested and reinvested capital. In some instances, NBIA or its affiliate (generally in its capacity as general partner or managing member of the Private Fund) will also receive a Performance Fee (which may be in the form of an incentive fee/allocation). The Performance Fee is generally generated if a specified preferred return to investors is achieved subject to a "catch-up"; or where the Private Fund exceeds the performance of a certain benchmark or index ("**hurdle**").

Management fees and Performance Fees for Private Funds may be negotiable under certain circumstances. NBIA or a Private Fund's general partner or managing member customarily retains discretion to waive, rebate or calculate differently the management fees and Performance Fees as to all or any of the investors in a Private Fund, including affiliates and employees of the Firm. Most of the Private Funds managed by NBIA require that investors be (1)(a) "accredited investors" as defined under Regulation D under the Securities Act ("**Regulation D**") and (b) qualified purchasers as defined in Section 2(a)(51)(A) of the Investment Company Act or "knowledgeable employees" under Rule 3c-5 of the Investment Company Act or (2) not "U.S. Persons" as defined under Regulation S of the Securities Act. Investors should refer to the Offering Memorandum for those Private Funds for further information with respect to fees.

Certain of the Private Funds managed by NBIA, however, require that a U.S. investor only need be an “accredited investor” under Regulation D. For those Private Funds, the management fee generally ranges from 0.00% to 1.50% annually. A small number of those funds whose investors are “qualified clients” under the Advisers Act may also permit NBIA or its affiliates to receive Performance Fees. Such fees are generally based on the net capital appreciation (i.e., capital appreciation less capital depreciation) of each investor’s account in such funds; however, the applicable Offering Memorandum should be consulted for specific details. For those Private Funds, the Performance Fee is normally payable only if, and to the extent that, the net capital appreciation of the investor’s account exceeds any net capital depreciation accumulated in the prior performance periods (as adjusted for withdrawals of capital). Performance Fees in those cases generally are up to 20% of (realized or unrealized) capital gains. Those Performance Fees may be waived, rebated or calculated differently generally in the discretion of NBIA or the relevant Private Fund’s general partner or managing member. Investors should refer to the Offering Memorandum for those Private Funds for further information with respect to fees.

### III. NB Registered Funds

#### a. NB Mutual Funds

Each NB Mutual Fund has entered into an investment management agreement with NBIA. Pursuant to each investment management agreement, NBIA receives a fee at a specified rate equal to a percentage of the fund’s average daily net assets. In addition, NBIA has entered into an administration agreement with each NB Mutual Fund. Administration fees are based on a percentage of each fund’s average daily net assets. The advisory fee rate for each NB Mutual Fund is negotiated with and approved by each fund’s Board of Trustees and is set forth below:

*Please note the full name of each fund listed below (except for the AMT Funds) begins with the prefix “Neuberger Berman”*

Equity Funds	Advisory Fee (based on average daily net assets)
Genesis Fund Intrinsic Value Fund Small Cap Growth Fund	<ul style="list-style-type: none"> <li>• 0.850% of the first \$250 million;</li> <li>• 0.800% of the next \$250 million;</li> <li>• 0.750% of the next \$250 million;</li> <li>• 0.700% of the next \$250 million; and</li> <li>• 0.650% in excess of \$1 billion</li> </ul>

<b>Equity Funds</b>	<b>Advisory Fee (based on average daily net assets)</b>
All Cap Core Fund Equity Income Fund Focus Fund Guardian Fund International Select Fund Large Cap Disciplined Growth Fund Large Cap Value Fund Mid Cap Growth Fund Mid Cap Intrinsic Value Fund Socially Responsive Fund Value Fund	<ul style="list-style-type: none"> <li>• 0.550% of the first \$250 million;</li> <li>• 0.525% of the next \$250 million;</li> <li>• 0.500% of the next \$250 million;</li> <li>• 0.475% of the next \$250 million;</li> <li>• 0.450% of the next \$500 million;</li> <li>• 0.425% of the next \$2.5 billion; and</li> <li>• 0.400% in excess of \$4 billion</li> </ul>
Greater China Equity Fund	<ul style="list-style-type: none"> <li>• 1.100% of the first \$1 billion; and</li> <li>• 0.950% in excess of \$1 billion</li> </ul>
Dividend Growth Fund	<ul style="list-style-type: none"> <li>• 0.500% of the first \$1.5 billion;</li> <li>• 0.475% of the next \$2.5 billion; and</li> <li>• 0.450% in excess of \$4 billion</li> </ul>
Emerging Markets Equity Fund	<ul style="list-style-type: none"> <li>• 1.000% of the first \$250 million;</li> <li>• 0.975% of the next \$250 million;</li> <li>• 0.950% of the next \$250 million;</li> <li>• 0.925% of the next \$250 million;</li> <li>• 0.900% of the next \$500 million;</li> <li>• 0.875% of the next \$2.5 billion; and</li> <li>• 0.850% in excess of \$4 billion</li> </ul>
Global Equity Fund	<ul style="list-style-type: none"> <li>• 0.750% of the first \$250 million;</li> <li>• 0.725% of the next \$250 million;</li> <li>• 0.700% of the next \$250 million;</li> <li>• 0.675% of the next \$250 million;</li> <li>• 0.650% of the next \$500 million;</li> <li>• 0.625% of the next \$2.5 billion; and</li> <li>• 0.600% in excess of \$4 billion</li> </ul>
Multi-Cap Opportunities Fund	<ul style="list-style-type: none"> <li>• 0.600% of the first \$250 million;</li> <li>• 0.575% of the next \$250 million;</li> <li>• 0.550% of the next \$250 million;</li> <li>• 0.525% of the next \$250 million;</li> <li>• 0.500% of the next \$500 million;</li> <li>• 0.475% of the next \$2.5 billion; and</li> <li>• 0.450% in excess of \$4 billion</li> </ul>

<b>Equity Funds</b>	<b>Advisory Fee (based on average daily net assets)</b>
International Equity Fund	<ul style="list-style-type: none"> <li>• 0.850% of the first \$250 million;</li> <li>• 0.825% of the next \$250 million;</li> <li>• 0.800% of the next \$250 million;</li> <li>• 0.775% of the next \$250 million;</li> <li>• 0.750% of the next \$500 million;</li> <li>• 0.725% of the next \$1 billion; and</li> <li>• 0.700% in excess of \$2.5 billion</li> </ul>
Global Real Estate Fund	<ul style="list-style-type: none"> <li>• 0.800%</li> </ul>
Real Estate Fund	<ul style="list-style-type: none"> <li>• 0.800%</li> </ul>
World Equity Fund	<ul style="list-style-type: none"> <li>• 0.700% of the first \$250 million;</li> <li>• 0.675% of the next \$250 million;</li> <li>• 0.650% of the next \$250 million;</li> <li>• 0.625% of the next \$250 million;</li> <li>• 0.600% of the next \$500 million;</li> <li>• 0.575% of the next \$2.5 billion; and</li> <li>• 0.550% in excess of \$4 billion</li> </ul>

<b>AMT Funds</b>	<b>Advisory Fee (based on average daily net assets)</b>
Guardian Portfolio Mid-Cap Growth Portfolio Large Cap Value Portfolio Mid Cap Intrinsic Value Portfolio Socially Responsive Portfolio	<ul style="list-style-type: none"> <li>• 0.550% of the first \$250 million;</li> <li>• 0.525% of the next \$250 million;</li> <li>• 0.500% of the next \$250 million;</li> <li>• 0.475% of the next \$250 million;</li> <li>• 0.450% of the next \$500 million;</li> <li>• 0.425% of the next \$2.5 billion; and</li> <li>• 0.400% in excess of \$4 billion</li> </ul>
International Equity Portfolio	<ul style="list-style-type: none"> <li>• 0.850% of the first \$250 million;</li> <li>• 0.825% of the next \$250 million;</li> <li>• 0.800% of the next \$250 million;</li> <li>• 0.775% of the next \$250 million;</li> <li>• 0.750% of the next \$500 million;</li> <li>• 0.725% of the next \$1 billion; and</li> <li>• 0.700% in excess of \$2.5 billion</li> </ul>
Short Duration Bond Portfolio	<ul style="list-style-type: none"> <li>• 0.250% of the first \$500 million;</li> <li>• 0.225% of the next \$500 million;</li> <li>• 0.200% of the next \$500 million;</li> <li>• 0.175% of the next \$500 million; and</li> <li>• 0.150% in excess of \$2 billion</li> </ul>

Real Estate Portfolio	<ul style="list-style-type: none"> <li>• 0.850%</li> </ul>
Absolute Return Multi-Manager Portfolio	<ul style="list-style-type: none"> <li>• 1.700% of the first \$250 million;</li> <li>• 1.675% of the next \$250 million;</li> <li>• 1.650% of the next \$250 million;</li> <li>• 1.625% of the next \$250 million;</li> <li>• 1.600% of the next \$500 million;</li> <li>• 1.575% of the next \$2.5 billion; and</li> <li>• 1.550% in excess of \$4 billion</li> </ul>

<b>Fixed Income Funds</b>	<b>Advisory Fee (based on average daily net assets)</b>
Core Bond Fund Municipal Intermediate Bond Fund New York Municipal Income Fund Short Duration Bond Fund	<ul style="list-style-type: none"> <li>• 0.250% of the first \$500 million;</li> <li>• 0.225% of the next \$500 million;</li> <li>• 0.200% of the next \$500 million;</li> <li>• 0.175% of the next \$500 million; and</li> <li>• 0.150% in excess of \$2 billion</li> </ul>
Emerging Markets Debt Fund	<ul style="list-style-type: none"> <li>• 0.550%</li> </ul>
Floating Rate Income Fund	<ul style="list-style-type: none"> <li>• 0.500%</li> </ul>
High Income Bond Fund	<ul style="list-style-type: none"> <li>• 0.480%</li> </ul>
Short Duration High Income Fund	<ul style="list-style-type: none"> <li>• 0.450%</li> </ul>
Unconstrained Bond Fund	<ul style="list-style-type: none"> <li>• 0.450%</li> </ul>
Strategic Income Fund	<ul style="list-style-type: none"> <li>• 0.550%</li> </ul>
Municipal High Income Fund	<ul style="list-style-type: none"> <li>• 0.400% of the first \$500 million;</li> <li>• 0.375% of the next \$500 million;</li> <li>• 0.350% of the next \$500 million;</li> <li>• 0.325% of the next \$500 million; and</li> <li>• 0.300% in excess of \$2 billion</li> </ul>

<b>Alternative Funds</b>	<b>Advisory Fee (based on average daily net assets)</b>
Absolute Return Multi-Manager Fund	<ul style="list-style-type: none"> <li>• 1.700% of the first \$250 million;</li> <li>• 1.675% of the next \$250 million;</li> <li>• 1.650% of the next \$250 million;</li> <li>• 1.625% of the next \$250 million;</li> <li>• 1.600% of the next \$500 million;</li> <li>• 1.575% of the next \$2.5 billion; and</li> <li>• 1.550% in excess of \$4 billion</li> </ul>

Global Long Short Fund	<ul style="list-style-type: none"> <li>• 1.250% of the first \$250 million;</li> <li>• 1.225% of the next \$250 million;</li> <li>• 1.200% of the next \$250 million;</li> <li>• 1.175% of the next \$250 million;</li> <li>• 1.150% of the next \$500 million;</li> <li>• 1.125% of the next \$1 billion; and</li> <li>• 1.100% in excess of \$4 billion</li> </ul>
Inflation Managed Fund	<ul style="list-style-type: none"> <li>• 0.650% of the first \$250 million;</li> <li>• 0.625% of the next \$250 million;</li> <li>• 0.600% of the next \$250 million;</li> <li>• 0.575% of the next \$250 million;</li> <li>• 0.550% of the next \$500 million;</li> <li>• 0.525% of the next \$2.5 billion; and</li> <li>• 0.500% in excess of \$4 billion</li> </ul>
Flexible Select Fund	<ul style="list-style-type: none"> <li>• 0.600% of the first \$250 million;</li> <li>• 0.575% of the next \$250 million;</li> <li>• 0.550% of the next \$250 million;</li> <li>• 0.525% of the next \$250 million;</li> <li>• 0.500% of the next \$500 million;</li> <li>• 0.475% of the next \$2.5 billion; and</li> <li>• 0.450% in excess of \$4 billion</li> </ul>
Global Allocation Fund	<ul style="list-style-type: none"> <li>• 0.650% of the first \$1 billion;</li> <li>• 0.625% of the next \$1 billion; and</li> <li>• 0.600% in excess of \$2 billion</li> </ul>
Long Short Fund	<ul style="list-style-type: none"> <li>• 1.200% of the first \$250 million;</li> <li>• 1.175% of the next \$250 million;</li> <li>• 1.150% of the next \$250 million;</li> <li>• 1.125% of the next \$250 million;</li> <li>• 1.100% of the next \$500 million;</li> <li>• 1.075% of the next \$2.5 billion; and</li> <li>• 1.050% in excess of \$4 billion</li> </ul>
Long-Short Multi-Manager Fund	<ul style="list-style-type: none"> <li>• 1.700% of the first \$250 million;</li> <li>• 1.675% of the next \$250 million;</li> <li>• 1.650% of the next \$250 million;</li> <li>• 1.625% of the next \$250 million;</li> <li>• 1.600% of the next \$500 million;</li> <li>• 1.575% of the next \$2.5 billion; and</li> <li>• 1.550% in excess of \$4 billion</li> </ul>
Risk Balanced Commodity Strategy Fund	<ul style="list-style-type: none"> <li>• 0.700% of the first \$250 million;</li> <li>• 0.675% of the next \$250 million;</li> <li>• 0.650% of the next \$250 million;</li> <li>• 0.625% of the next \$250 million;</li> <li>• 0.600% of the next \$500 million;</li> <li>• 0.575% of the next \$2.5 billion; and</li> <li>• 0.550% in excess of \$4 billion</li> </ul>

Multi-Asset Income Fund	<ul style="list-style-type: none"> <li>• 0.450% of the first \$250 million;</li> <li>• 0.425% of the next \$250 million;</li> <li>• 0.400% of the next \$250 million;</li> <li>• 0.375% of the next \$250 million;</li> <li>• 0.350% of the next \$500 million;</li> <li>• 0.325% of the next \$2.5 billion; and</li> <li>• 0.300% in excess of \$4 billion</li> </ul>
Long Short Credit Fund	<ul style="list-style-type: none"> <li>• 0.800%</li> </ul>

From time to time, NBIA may determine to waive all or a portion of its fee or reimburse an NB Mutual Fund for certain expenses. The rates of those waivers or reimbursements are set forth in each fund's Offering Documents.

#### **b. NB Closed-End Funds (except NB PE Closed-End Funds)**

Each NB Closed-End Fund has entered into a management agreement with NBIA. Pursuant to each management agreement, NBIA receives a fee at a specified rate equal to a percentage of the NB Closed-End Fund's average daily total assets, minus liabilities other than the aggregate indebtedness entered into for purposes of leverage (for purposes of this calculation, the liquidation preference on the NB Closed-End Fund's preferred shares, if any, is not a liability). In addition, NBIA has entered into an administration agreement with each NB Closed-End Fund. Administration fees are based on a percentage of average daily total assets, minus liabilities other than the aggregate indebtedness entered into for purposes of leverage (for purposes of this calculation, the liquidation preference on the NB Closed-End Fund's preferred shares, if any, is not a liability).

The advisory fee rate for each NB Closed-End Fund is negotiated with the fund's Board of Directors and is set forth below:

<b>Funds</b>	<b>Advisory Fee (based on average daily net assets)</b>
California Intermediate Municipal Fund	• 0.25%
Intermediate Municipal Fund	• 0.25%
MLP Income Fund Inc.	• 0.75%
New York Intermediate Municipal Fund	• 0.25%
Real Estate Securities Income Fund	• 0.60%
High Yield Strategies Fund	• 0.60%

#### **c. NB PE Closed-End Funds**

Each NB PE Closed-End Fund has entered into an investment management agreement with NBIA. Pursuant to each investment management agreement, each NB PE Closed-End Fund pays NBIA a fee at a specified rate. NBIA or an affiliate of NBIA may also be apportioned carried interest distributions from each NB PE Closed-End Fund ("**Carried Interest**"), which generally ranges from 5-10% of distributions after investors receive a specified amount of drawn commitments



from the NB PE Closed-End Fund. As described in the Offering Documents for the relevant NB PE Closed-End Fund, Carried Interest, to the extent applicable, may be subject to a “clawback,” which means that NBIA (or its affiliate) may be required to return to the investors all or a portion of the Carried Interest if the investors in the NB Closed-End Fund do not receive a return of their capital contributions made to such NB Closed-End Fund plus a certain stated return on their investment from the fund, in each case in accordance with the fund’s Offering Documents.

The advisory fee rate for each NB PE Closed-End Fund is negotiated with and approved by the fund’s Board of Managers and is set forth below:

<b>Funds</b>	<b>Advisory Fee (based on total investor commitments, unless otherwise specified)</b>
Excelsior Venture Partners III, LLC	<ul style="list-style-type: none"> <li>1.00% (based on average quarterly net assets)</li> </ul>
UST Global Private Markets Fund, LLC	<ul style="list-style-type: none"> <li>1.50%, with an annual 10% step-down starting on the third anniversary of the final closing of the subscription of units and continuing until the advisory fee reaches 0.25%</li> </ul>
Excelsior Private Markets Fund II (Master), LLC	<ul style="list-style-type: none"> <li>1.00% as follows: (i) during the period from the initial closing until the fifth anniversary of the final closing, based on the total commitments entered into by the fund with respect to: (a) investments in unregistered investment funds or other investment vehicles (“<b>Portfolio Funds</b>”) and (b) direct private equity investments in portfolio companies; and (ii) beginning on the fifth anniversary of the final closing and thereafter, based on the net asset value (exclusive of assets held in cash and cash equivalents) of the company as of the last day of the applicable quarter</li> </ul>
Excelsior Private Markets Fund II (TE), LLC	<ul style="list-style-type: none"> <li>Management fee of 0.50%*</li> </ul>
Excelsior Private Markets Fund II (TI), LLC	<ul style="list-style-type: none"> <li>Management fee of 0.50%*</li> </ul>

Excelsior Private Markets Fund III (Master), LLC	<ul style="list-style-type: none"> <li>1.00% as follows: (i) during the period from the initial closing until the fifth anniversary of the final closing, based on the total commitments entered into by the company with respect to: (a) investments in Portfolio Funds and (b) direct private equity investments in portfolio companies; and (ii) beginning on the fifth anniversary of the final closing and thereafter, based on the net asset value (exclusive of assets held in cash and cash equivalents) of the company as of the last day of the applicable quarter</li> </ul>
Excelsior Private Markets Fund III (TE), LLC	<ul style="list-style-type: none"> <li>Management fee of 0.50%*</li> </ul>
Excelsior Private Markets Fund III (TI), LLC	<ul style="list-style-type: none"> <li>Management fee of 0.50%*</li> </ul>

\* Payments for management and administrative services, not for investment advisory services.

### III. SUB-ADVISED ACCOUNTS

#### a. Third-Party Mutual Funds and Non U.S. Registered Funds

NBIA's fees with respect to its services as sub-adviser to each Third-Party Mutual Fund and Non-U.S. Registered Fund are set forth in its sub-advisory agreement with each fund/investment adviser.

#### b. Other Sub-Advised Accounts

Sub-advisory fees for other Sub-Advised Accounts are individually negotiated and vary depending on the account. NBIA's fees may be consistent with the basic fee information and terms described above for the type of client (e.g., Separate Accounts, Private Funds). NBIA's fees with respect to its services as sub-adviser are set forth in its sub-advisory agreement with each fund/investment adviser.

NBIA receives management fees and may receive Performance Fees in its role as sub-adviser to certain Affiliated Funds (as defined below).

### IV. WRAP PROGRAM ACCOUNTS

Wrap Program Clients typically pay Wrap Sponsors one all-inclusive fee that covers investment management, trade execution, custodial services and other administrative services. Of that fee, the Wrap Sponsors, in turn, pay investment management fees to the sub-advisers, such as NBIA, that they select to provide investment management services to their Wrap Program Clients.

NBIA generally negotiates its fees with each Wrap Sponsor, subject to varying factors, including but not limited to, the Wrap Sponsor's program size and style, the services performed by the Wrap Sponsor, and other factors. Subject to those factors, NBIA's basic fee schedule for a discretionary Wrap Program ranges between 0.25% and 0.35% of the Wrap Program Clients' assets allocated to NBIA annually. In a non-discretionary Model Portfolio Wrap Program, NBIA's basic fee schedule ranges between 0.22% and 0.25% annually.

## **V. NON-DISCRETIONARY AND CONSULTING SERVICES**

Non-Discretionary Account fees vary but in general are consistent with the standard fee schedules described above for Separate Accounts or subject to a fixed fee.

NBIA generally charges a fixed fee for its Consulting Services. Those fees are individually negotiated. NBIA also charges license and support fees for the licensing of its NBIA Software. Such fees vary based on the scope and extent of the analysis and modeling desired by the client, enhancements to the NBIA Software to meet the needs of the client, the type of assets subject to analysis and the training and support required.

### **B. Payment Method**

#### ***Calculation and Payment of Fees:***

*Separate Accounts*— Management fees are generally accrued and paid in arrears on a quarterly basis. For some accounts, management fees are charged quarterly in advance. Performance Fees and minimum annual fees, if any, are generally charged on an annual basis.

NBIA generally invoices clients for fees incurred.

During a quarter or other fee calculation period, if NBIA begins managing an account, or an account is terminated, the fee charged for that period will be pro-rated based on the portion of the period that NBIA actually managed the account. If management fees are charged in advance, the Separate Account client will receive a pro-rated refund of any pre-paid fees if the investment management agreement is terminated before the end of the billing period.

*Private Funds*— Generally, management fees are payable monthly or quarterly in arrears and deducted from the investor's account. However, certain Private Funds provide that an investor may be billed outside of the Private Fund at the option of the investor. Investors should refer to the applicable Offering Memorandum with respect to the calculation and payment of fees.

*NB Registered Funds*— NBIA's advisory fees are paid to NBIA by each NB Registered Fund in accordance with the investment management agreement entered into by NBIA and such fund, as negotiated with the fund's Board of Trustees/Directors/Managers. For all NB Registered Funds except the NB PE Closed-End Funds, the fees are accrued daily and deducted monthly or quarterly, as applicable, directly from the NB Registered Funds' custodial account. For the NB PE Closed-End Funds, the advisory fee is calculated as of the start of business on the last business day of the prior quarter and will be due and payable in arrears after the end of that

quarter. Carried Interest with respect to the NB PE Closed-End Funds, if any, will generally not be paid until after certain anniversary dates, as discussed in the relevant fund's Offering Documents.

*Sub-Advised Accounts—*

*Third-Party Mutual Funds and Non-U.S. Registered Funds* — NBIA's sub-advisory fees are paid by each investment adviser to NBIA in accordance with the investment sub-advisory agreement entered into by NBIA and such adviser. NBIA's sub-advisory fees are negotiated with the Third-Party Mutual Fund's or Non-U.S. Registered Fund's investment adviser or Board of Trustees/Directors/Managers.

*Other Sub-Advised Accounts* – Payment of fees varies depending on the type of account but in general is consistent with the basic fee information and terms described above for the type of client (e.g., Separate Accounts, Private Funds).

*Wrap Program Accounts*—Each Wrap Sponsor generally pays NBIA on a quarterly basis, either in arrears or in advance, as provided in the contract between NBIA and the Wrap Sponsor. NBIA does not invoice Wrap Program Clients. Each Wrap Sponsor calculates and pays NBIA its fees from the fees the Wrap Sponsor receives from the Wrap Program Clients.

*Non-Discretionary and Consulting*—Payment of Non-Discretionary Account fees varies but in general is consistent with the basic fee information and terms described above for Separate Accounts. The manner of payment for Consulting Services and NBIA Software is individually negotiated.

***Valuation for Fee Calculation Purposes:***

*Separate Accounts, Non-Discretionary Accounts and Sub-Advisory Accounts (excluding Private Funds, NB Registered Funds, Non-U.S. Registered Funds and Third-Party Mutual Funds)*— In general, management fees for Separate Accounts, Non-Discretionary Accounts and Sub-Advisory Accounts (excluding Private Funds, NB Registered Funds, Non-U.S. Registered Funds and Third-Party Mutual Funds) are based on a valuation of assets by the client's custodian. When the client and NBIA agree to use NBIA's valuation of the assets for fee purposes, NBIA may use independent third-party pricing services or broker quotes to value assets. When a third-party price is not obtainable, NBIA will use its fair valuation procedures to obtain an internally generated valuation, subject to applicable law. As NBIA's compensation is generally based on the net asset value of an account, a conflict arises when NBIA is valuing the assets held in an account rather than a third-party. To mitigate that conflict, NBIA has adopted methodologies designed to result in securities valuations that in its judgment reflect the market prices of the securities at such time. In those instances, there is no guarantee that the market prices will be obtained.

*Private Funds*— The market values of the assets of the Private Funds are generally obtained from various third-party quotation services, or where such quotation services are not available, are based upon fair-value as determined by the general partner or managing member, or their delegate, which could be NBIA. Most Private Funds retain a third-party administrator to provide various administrative services to the Private Funds. That includes assisting NBIA in calculating

each Private Fund's NAV, as well as performing other administrative services on behalf of the Private Fund. Investors should refer to the applicable Offering Memorandum for more information with respect to the valuation of Private Fund assets.

*NB Registered Funds (other than NB PE Closed-End Funds), Third-Party Mutual Funds and Non-U.S. Registered Funds*— Fees are calculated as a percentage of the net assets of each fund. The value of each fund's net assets is determined in accordance with each fund's valuation policies and procedures adopted by the fund's Board of Trustee/Directors. Those policies are generally described in the relevant funds' Offering Documents.

*NB PE Closed-End Funds* – Generally, fees are calculated as a percentage of the investors' total commitments. Each NB PE Closed-End Fund's assets will be valued at their fair market value as determined by NBIA in good faith, taking into consideration all available information and other factors that the NBIA deems pertinent. NBIA may rely on the most recent valuations and other information provided by the underlying portfolio fund managers, except where NBIA may reasonably determine additional factors should be considered and reflected. Please refer to the NB PE Closed-End Funds' Offering Documents for additional information on valuation.

*Wrap Program Accounts*— NBIA does not establish the value of securities held in Wrap Program Accounts. Valuation is a function provided by the Wrap Sponsors.

### **C. Other Fees and Expenses**

In addition to the management fee and Performance Fee, if any, paid to NBIA, clients pay other fees and expenses associated with their accounts and investments. Such fees and expenses may include the following:

*Custodial Fees and Expenses*— Typically, Separate Account, Sub-Advisory Account and Non-Discretionary Account clients elect to have account assets held in the custody of a bank, trust company, broker-dealer or other qualified custodian ("**Qualified Custodian**") selected by the client. The client bears any custodial fees and expenses associated with its account. To the extent that cash is held in such accounts, the fees so incurred by the client will be in addition to the fee payable to NBIA on the overall value of the account. See Item 15. Physical custody of the assets of a Private Fund necessary to be maintained with a Qualified Custodian will be maintained with a Qualified Custodian selected by NBIA or an affiliate, in its exclusive discretion. Each Private Fund ordinarily bears the custodial fees and expenses.

*Transaction-related Fees and Expenses*— Client Accounts generally must bear all transaction-related fees and expenses, including brokerage commissions, concessions dealer mark-ups and spreads for transactions effected for the account. See Item 12.

With respect to Wrap Program Clients, the all-inclusive fee that they pay Wrap Sponsors covers brokerage fees when NBIA executes trades through the Wrap Sponsors. When NBIA chooses to trade away from the Wrap Sponsors and execute trades through broker-dealers other than the Wrap Sponsors, the Wrap Program Clients may incur execution costs in addition to the wrap

fees they pay to the Wrap Sponsors. Please refer to subsection “Other Fees and Expenses (General)” in this Item 5.C for a further description of additional execution costs that may be incurred by Wrap Program Clients.

*Additional Fees and Expenses Related to Separate Account Investments in Private Funds, NB Registered Funds and Non-U.S. Registered Funds*— Subject to the investment guidelines of a Separate Account, NBIA may invest the Separate Account in non-affiliated investment companies and other pooled investment vehicles, including non-affiliated Private Funds (collectively, “**Non-Affiliated Funds**”). Subject to the investment guidelines of a Separate Account and applicable law, NBIA may invest the Separate Account in the NB Registered Funds, Non-U.S. Registered Funds or affiliated Private Funds (collectively, “**Affiliated Funds**”).

Separate Account assets that are invested in Affiliated Funds will not be subject to two levels of advisory fees. Either the advisory fee associated with the underlying Client Account will be waived or reimbursed or NBIA will credit the Client Account an amount equal to the pro-rata portion of the management/advisory fee NBIA (or its affiliates) earns from the Affiliated Funds. However, where permitted by applicable law, Separate Account assets that are invested in Affiliated and Non-Affiliated Funds will incur other fees and expenses associated with their investments in such funds. Expenses for NB Registered Funds, Third-Party Mutual Funds and Non-U.S. Registered Funds are generally described in each fund’s Offering Documents and include those summarized under the heading “*Other Fees and Expenses for NB Registered Funds, Third-Party Mutual Funds and Non-U.S. Registered Funds*” in this Item 5.C. below. Private Fund expenses are described in each Private Fund’s Offering Memorandum and include those summarized under the heading “*Other Fees and Expenses for Private Funds*” in this Item 5.C. below.

*Additional Fees for Other Services*—Certain NBIA clients may also be clients of NBIA’s affiliates. Those clients may receive investment management services from NBIA and may receive other services from affiliates. NBIA and the affiliate will each charge their usual and customary fees to the client. This may result in total costs to the client that are higher than the client would have paid had it obtained all services from either NBIA or its affiliate alone or from other unrelated brokers and investment advisers.

*Other Fees and Expenses for NB Registered Funds, Third-Party Mutual Funds and Non-U.S. Registered Funds*—In addition to the advisory fees described in this Item 5 above and administration fees described below, investors in the NB Registered Funds, Third-Party Mutual Funds and Non-U.S. Registered Funds will incur other fees and expenses associated with their investments in the funds. Those expenses will generally include brokerage and other transaction-related costs and the fees and expenses of other service providers to these funds such as custodians, transfer agents, administrators, valuation agents, directors, auditors and counsel.

In addition, the funds may themselves invest in other funds as described in each fund’s Offering Documents. To the extent a fund invests in another fund, it will bear the costs and expenses associated with an investment in that fund. Please also see section entitled “*Fees to Affiliates in*

*the NB Registered Funds*” in this Item 5.C. and Item 12 below for further discussion regarding NBIA’s brokerage practices.

The NB PE Closed-End Funds generally invest, directly and indirectly through Portfolio Funds, in private equity securities, such as venture capital partnerships, special situations partnerships, buyout private equity partnerships, international private equity partnerships, as well as direct/co-investments in privately held operating companies, mezzanine investments, minority interests in hedge fund managers (the “**Private Equity Securities**”). Issuers of Private Equity Securities are typically structured as partnerships or limited liability companies. As such, these entities typically incur fees and expenses that are charged to investors in those entities. Similarly, Portfolio Funds in which the NB PE Closed-End Funds invest will incur fees and expenses, which will be borne by the relevant NB PE Closed-End Fund as an investor in the Portfolio Fund. These “portfolio-level fees” and Portfolio Fund-level fees will be incurred by the NB PE Closed-End Funds and are in addition to the fees and expenses otherwise charged by the NB PE Closed-End Fund. In addition, for NB PE Closed-End Funds structured as master-feeder funds, investments in a feeder fund will include the feeder fund’s pro rata portion of the advisory fee payable by the master fund to NBIA or its affiliates, in its capacity as investment adviser to the master fund, and expenses borne by the master fund.

*Other Fees and Expenses for Private Funds*— In addition to the other fees and expenses described in this Item 5.C, Private Funds ordinarily bear all organizational and operating expenses and in some cases, offering expenses. Those expenses may entail administrative fees and expenses; reporting expenses of the Private Fund or NBIA or its affiliates in connection with its operation of the Fund; audit and tax preparation and other tax-related fees and expenses; legal and accounting fees; consulting fees; due diligence expenses; expenses associated with mailing and reproducing the Offering Memorandum, any amendments thereto and other communications with investors; and expenses relating to the organization, and the operation and winding-up of any special purpose vehicles. Private Funds also will generally pay any extraordinary and non-recurring expenses (including any extraordinary legal or litigation expenses and indemnification costs) and taxes, if any. Investors should refer to the applicable Offering Memorandum for more information with respect to the specific fees and expense payable by a Private Fund.

*Fees to Affiliates in the NB Registered Funds*— In addition to the advisory/management fee paid to NBIA, NBIA also receives fees for its services as administrator for certain of the NB Registered Funds. As administrator, NBIA provides, among other things, facilities, services, and personnel as well as accounting, record keeping and other services to NB Registered Funds pursuant to administration agreements. Under each administration agreement, NBIA also provides certain shareholder, shareholder-related, and other services that are not furnished by the NB Registered Fund’s shareholder servicing agent or third party investment providers. Certain affiliated companies of NBIA may also serve as sub-adviser to certain NB Registered Funds. As sub-advisers, these entities may provide, in addition to investment advisory services, research and other services to NB Registered Funds. NBIA may also use certain affiliated companies in connection with the execution of transactions for the NB Registered Funds. Please see Item 12 below for a further discussion regarding NBIA’s brokerage practices.

NBIA and certain of the NB Registered Funds have been granted exemptive relief by the SEC to (a) permit certain registered open-end management investment companies advised by NBIA and that operate as “fund of funds” to acquire shares of certain affiliated and unaffiliated registered open-end management investment companies and unit investment trusts that are within and outside the same group of investment companies as the acquiring investment companies, and (b) to permit funds of funds relying on rule 12d1-2 under the Investment Company Act to invest in certain financial instruments. In addition, certain of the NB Registered Funds may invest in certain affiliated and unaffiliated registered open-end management investment companies, exchange-traded funds and unit investment trusts. As such, in addition to the fees and expenses directly associated with the NB Registered Funds, an investor in an NB Registered Fund that is structured as a fund-of-funds or that invests in affiliated and unaffiliated registered open-end management investment companies, exchange-traded funds and unit investment trusts, also indirectly bears the fees of the underlying unit investment trusts in which such NB Registered Funds invests, which may include advisory and administrative fees paid by the NB Registered Funds to NBIA or its affiliates. The advisory fees charged by NBIA to those investment companies that are part of the same group of investment companies will be reviewed periodically by the Board of Trustees/Directors/Managers of each NB Registered Fund of funds to ensure that they are based on services provided that are in addition to, rather than duplicative of, services provided pursuant to the advisory agreement of any underlying NB Registered Fund in which such fund invests.

*Other Fees and Expenses (General)*— Clients will bear all other transaction and transfer related fees and expenses. Each of these additional costs may be charged to the client’s account or reflected in the price paid or received for a given security or other asset. Those charges include, but are not limited to (i) transfer taxes and any other applicable taxes; (ii) auction fees; (iii) exchange or similar fees (such as for ADRs) charged by third parties, including issuers or depositories; (iv) fees charged in connection with short sale transactions; (v) margin interest and fees for any securities that are deemed hard to borrow in connection with long/short strategies; (vi) mutual fund redemption fees and contingent deferred sales charges; (vii) electronic fund, wire, and other account transfer fees; (viii) dealer spreads, mark-ups or other charges in connection with foreign execution services, including foreign currency conversion; (ix) dealer spreads, mark-ups or other charges in connection with ADRs or ADR conversions; and (x) any fees or other charges imposed or mandated by law.

*Comparable Services*— NBIA believes that the charges and fees offered for its investment management services are competitive with those of alternative programs available through other firms offering a similar range of services; however, lower fees for comparable services may or may not be available from other sources.

Wrap Program Clients should be aware that services similar or comparable to those provided to them as participants in Wrap Programs may be available at a higher or lower aggregate cost elsewhere either separately or on an unbundled basis. The overall cost to a Wrap Program Client that participates in a Wrap Program may be higher than the aggregate cost of paying NBIA’s standard advisory fee for Separate Accounts, negotiating custody fees with a custodian and negotiating transaction charges with a broker dealer payable on a per transaction basis, depending upon the level of custody fees and the number of securities transactions in the Wrap



Program Client's account. However, most Wrap Program Clients would not be eligible (due to the size of their accounts) for NBIA's Separate Account management services and, therefore, could not otherwise have their assets managed by NBIA. NBIA does not undertake any ongoing responsibility to assess for any Wrap Program Client the value of the services provided by the Wrap Sponsor.

#### **D. Prepayment of Fees and Refunds**

**Separate Accounts**— As described in Item 5.B, most Separate Account management fees are paid in arrears. Separate Account clients who pay fees in advance are entitled to pro-rata reimbursement of that portion of the quarterly (or other fee calculation period) investment management fee paid for any portion of the quarter (or other fee calculation period) remaining as of the date the investment advisory relationship terminates.

**Private Funds**— Investors should refer to the applicable Offering Memorandum for information regarding payment of fees, withdrawal and refund of fees (if applicable).

**Sub-Advised Accounts**— In the event NBIA is terminated, any prepaid fees will be refunded according to the type of account and sub-advisory agreement.

**Wrap Program Accounts**— Each Wrap Sponsor generally pays NBIA on a quarterly basis, either in arrears or in advance, as provided in the contract between NBIA and the Wrap Sponsor. If paid in advance, the fees would be refunded on a pro-rata basis in the event NBIA is terminated from managing a Wrap Program Client's account.

NBIA's participation as a manager in discretionary Wrap Programs, or engagement to provide investment management services with respect to particular Wrap Program accounts, typically may be terminated by the Wrap Sponsors or by NBIA either at any time or after a predetermined notice period. In addition, Wrap Program Clients may indirectly terminate NBIA as the investment manager of their assets by terminating their relationship with the Wrap Sponsors, ending their participation in the Wrap Programs, or requesting that their assets be managed by another Wrap Program investment manager. NBIA's participation in non-discretionary Wrap Programs typically may be terminated either at any time, or after a predetermined notice period, by NBIA or the Wrap Sponsors. In each case, however, termination rights vary, so Wrap Program Clients and Wrap Sponsors should refer to the agreements governing their programs.

**Non-Discretionary Accounts and Consulting Services**—Payment of Non-Discretionary Account fees varies but, in general, is consistent with the basic fee information and terms described above for Separate Accounts. The manner of payment for Consulting Services and NBIA Software is individually negotiated.

With respect to other products offered by NBIA, investors should refer to the applicable Offering Documents for information regarding payment of fees, withdrawal and refund of fees (if applicable).

## **E. Sales Compensation**

NBIA's products and strategies are marketed by the Firm's central salesforce, which also markets the products and strategies of NBIA's affiliates. Certain members of the central salesforce are registered representatives of NB LLC, an affiliate of NBIA and a registered investment adviser and broker-dealer and member of the Financial Industry Regulatory Authority ("**FINRA**"). Subject to applicable law, certain members of the salesforce are entitled to a sales commission if NBIA is engaged to provide investment management services for a Separate Account or Sub-Advised Account client they have introduced to NBIA. NBIA may also utilize unaffiliated solicitors to assist in introducing Separate Account and Sub-Advised Account Clients. Subject to applicable law, NBIA would pay such solicitors a commission. The commission payable to the Firm's salesforce and unaffiliated solicitors is generally a percentage of the management fee paid to NBIA for a specified number of years, payable to the sales person or third-party solicitor, as applicable, on the same basis as NBIA is paid, and, in the case of the Firm's salesforce, subject to the terms and conditions of the applicable Firm sales compensation plan and contingent compensation program.

NBIA may utilize affiliated and unaffiliated placement agents in offering affiliated Private Funds and NB PE Closed-End Funds to investors. The U.S. placement agents, including NBIA's affiliate, NB LLC, are registered as broker-dealers with the SEC and are FINRA members. Generally, the placement agent receives a portion of the management fee and performance fee (if any) earned by NBIA or its affiliates, as applicable. See Item 10.C.1 and Item 14.B. Certain affiliated Private Funds may offer classes of interests that do not pay a commission.

Given that the sales persons may market a wide range of products offered by NBIA and its affiliates with differing sales compensation, the sales persons may have an incentive to promote or recommend certain products over others based on the compensation to be received and not on the specific requirements or investment objectives of the client. NB LLC trains its employees, including members of this salesforce, regarding suitability and sales of securities products to investors, which NBIA believes mitigates this potential conflict. Sales persons are also generally required to undergo product specific training for all products that they market.

The Firm's central salesforce also markets the advisory products and services of NBIA for which certain members may not receive any direct compensation. Certain Firm employees who are not members of the central salesforce may be eligible to earn an account referral bonus for referring a client to NBIA.

Certain of the NB Registered Funds have adopted Rule 12b-1 Plans under the Investment Company Act. Pursuant to those Rule 12b-1 Plans, NBIA receives fees that may be used to defray the cost of expenses incurred or services rendered in connection with the sale and marketing of NB Registered Fund shares or to compensate affiliated or third-party financial intermediaries for providing distribution-related services or administrative services to each fund or its shareholders. NBM serves as principal underwriter and distributor for the NB Registered Funds and may receive additional compensation in the form of commission revenue for acting as distributor for Class A or C shares of NB Registered Funds that are available only through financial intermediaries. The revenue is in the form of sales charges imposed on shareholder

transactions in such share classes. For certain purchases of Class A shares, NBM may receive a portion of the initial sale charges remaining after payment of any commission to the financial intermediary. For Class C shares, NBM may receive a contingent deferred sales charge that may be assessed on redemptions that occur within the first year after purchase.

In certain instances, NBIA has the ability to select and substitute affiliated underlying funds in which an NB Registered Fund invests. NBIA may, therefore, be subject to potential conflicts of interest in selecting the underlying funds because its profitability with respect to certain affiliated underlying funds may be higher than others; however, as a fiduciary to each NB Registered Fund, NBIA is required to act in each NB Registered Fund's best interest when selecting the underlying investments. To this end, with respect to certain NB Registered Funds, NBIA has typically undertaken to waive a portion of the underlying affiliated NB Registered Fund's advisory fee equal to the advisory fee it receives from such affiliated underlying NB Registered Fund on those assets, as described in the relevant NB Registered Fund's prospectus.

NBIA utilizes the trading desk of its affiliate, NB LLC, to execute equity securities transactions (including ETFs) with third-party brokers for certain Client Accounts. With respect to the NB Registered Funds, such transactions are performed in accordance with the requirements of Rule 17e-1 under the Investment Company Act. NBIA does not offset its sub-advisory fee for the commissions its affiliates receives in connection with such transactions. Please see Item 12 below for a further discussion regarding NBIA's brokerage practices.

Certain affiliates of Third-Party Mutual Funds, such as the investment adviser to a Third-Party Mutual Fund, may also be clients of affiliates of NBIA or may be referred to NBIA by its affiliates. The affiliates of Third-Party Mutual Funds may receive investment advisory or other services from NBIA or its affiliates.

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

Performance Fees are fees that are based on a share of the capital gains or capital appreciation of the assets of an account. Examples of performance fee structures include but are not limited to:

- an incentive fee where the fee is calculated as a percentage of a fund's profits, usually taking into consideration both realized and unrealized profits (sometimes referred to as incentive allocation or carried interest);
- an allocation based on the net cash proceeds attributable to the investments;
- a high water mark where the manager receives a Performance Fee only on increases in net asset value of a fund in excess of the highest net asset value previously achieved; and
- hurdle rates where the manager does not charge a Performance Fee until the fund's annualized performance or distributions made to investors exceeds a benchmark rate, such as T-bill yield, London Interbank Offered Rate ("**LIBOR**") or a fixed percentage.

NBIA charges Performance Fees in connection with certain of its Separate Accounts, Private Funds, NB PE Closed-End Funds and Sub-Advised Accounts. It does not charge Performance Fees with respect to its Non-Discretionary Accounts, Wrap Program Accounts, NB Mutual Funds, NB Closed-End Funds or Third-Party Mutual Funds.

In addition, some of NBIA's portfolio managers are investment advisory personnel of one or more of NBIA's affiliated investment advisers. See Item 10.C.3 for a list of such affiliates. In such capacity, they may manage accounts for which the affiliated investment adviser receives Performance Fees.

To the extent that NBIA and its portfolio managers manage accounts that charge only management fees as well as accounts that charge both management fees and Performance Fees, NBIA or its portfolio managers or sales persons may have a conflict of interest in that an account with a Performance Fee will offer the potential for higher profitability when compared to an account with only a management fee. Performance Fee arrangements may create an incentive for NBIA or its portfolio managers or sales persons to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. Performance Fee arrangements may also create an incentive to favor higher fee-paying accounts over other accounts in the devotion of time, resources and allocation of investment opportunities.

To manage those potential conflicts, NBIA has adopted a number of compliance policies and procedures. These policies and procedures include (i) the Neuberger Berman Code of Ethics (see Item 11), (ii) the NBIA Compliance Manual, (iii) trade allocation and aggregation policies that seek to ensure that investment opportunities are allocated fairly among clients and that accounts are managed in accordance with their investment mandate, and (iv) allocation review

procedures reasonably designed to identify unfair or unequal treatment of accounts. NBIA does not consider fee structures in allocating investment opportunities. See also Item 11.D.6.

## Item 7: Types of Clients

NBIA provides investment advisory services to individuals and institutional clients, including registered investment companies, pension plans, trusts, charitable organizations, foundations, endowment funds, corporations, insurance companies, banks, other financial institutions, other business entities, unregistered investment vehicles, collateralized loan obligation vehicles, collateralized debt obligation vehicles and state and municipal entities and other governmental entities, as well as individuals. NBIA also serves as an investment adviser or sub-adviser to foreign-domiciled clients, including, without limitation, foreign investment companies not subject to the Investment Company Act.

Set forth below are the minimum account requirements for NBIA's accounts:

***Institutional Accounts***—Generally, there is a minimum account size of \$25 million for all Equity Institutional Accounts and \$50 million for all Fixed Income Institutional Accounts, except for the following:

### **Equity**

- Equity Income, Mid Cap Intrinsic Value, Real Estate Securities, Small Cap Intrinsic Value, Socially Responsible Investing and Global REIT mandates: \$10 million
- Flex Equity mandates: \$50 million
- Small Cap Value mandates: \$100 million

### **Fixed Income**

- Emerging Market Debt—Blended mandates: \$150 million
- Full Market High Yield, Short Duration High Yield, Bank Loan, Crossover Credit, Emerging Market Debt—Hard Currency, Emerging Market Debt—Local Currency, Emerging Market Debt—Corporate, Emerging Market Debt—Short Duration and Dynamic Beta Navigator mandates: \$100 million
- Municipal/Tax Exempt, Municipal Cash, Diversified Currency and Diversified Currency High Alpha mandates: \$25 million

The minimum account size for the Global Equity Index Put Write strategy and the US Equity Index Put Write strategy is \$20 million.

NBIA may lower an account minimum at its discretion. NBIA may negotiate higher minimum account sizes for Multi-Asset Mandates.

**Private Asset Management Accounts**— Generally, there is a minimum size of \$1 million for Private Asset Management Accounts. NBIA may change or waive an account minimum for particular clients, including but not limited to employees of NBIA and its affiliates.

**Private Funds**— In general, investors in Private Funds must be (1)(a) “accredited investors” under Regulation D under the Securities Act, and (b) “qualified purchasers” under Section 2(a) (51) (A) of the Investment Company Act or “knowledgeable employees” under Rule 3c-5 of the Investment Company Act or (2) not “U.S. Persons” as defined under Regulation S of the Securities Act. For those funds that charge a Performance Fee, investors must be eligible to enter into a performance fee arrangement under the Advisers Act.

The minimum investment required by an investor varies depending on the Private Fund and in each case is subject to waiver by NBIA or the Private Fund’s general partner, managing member or equivalent entity. Investors should review the Offering Memorandum for each relevant Private Fund for further information with respect to minimum requirements for investment.

**NB Registered Funds**— NBIA serves as investment adviser and administrator to the NB Registered Funds, which are open-end and closed-end investment companies that are registered under the Investment Company Act. Certain of the NB Registered Funds may only be sold to insurance company separate accounts in connection with variable life insurance contracts and variable annuity certificates and contracts issued by unaffiliated insurance companies and other qualified plans, accounts, funds and investors. Certain of the NB Registered Funds, including the NB PE Closed-End Funds, may only be sold to investors that are both (a) “accredited investors” under Regulation D under the Securities Act, and (b) “qualified clients” as defined in Rule 205-3 under the Investment Advisers Act. The eligibility and minimum investment requirements for the NB Registered Funds are described in each NB Registered Fund’s Offering Documents.

**Sub-Advised Accounts**— Minimum account requirements for Sub-Advised Accounts are generally established by the intermediary investment adviser.

**Wrap Program Accounts**— The minimum account size may vary by Wrap Program, as set up by the Wrap Sponsor for its Wrap Program Clients, but is typically \$250,000. In certain Wrap Programs, the fees and services may be unbundled and NBIA may enter into an investment advisory agreement directly with each client. For such unbundled accounts, the standard minimum account size is typically \$1 million, subject to negotiation based on various factors, including without limitation NBIA’s relationship with the client’s broker-dealer.

**Non-Discretionary and Consulting Services**— The minimum account size for Non-Discretionary Accounts generally is consistent with the information described above for Separate Accounts. For certain Non-Discretionary Accounts account, size may be inapplicable. There is no minimum amount required in connection with Consulting Services.

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

### **A. Methods of Analyses**

#### ***Investments Analysis***

NBIA's investment teams employ distinct investment processes that incorporate various methods of security analysis, including one or more of the following: charting, cyclical, fundamental, macroeconomic, statistical, technical, qualitative, and quantitative/investment modeling.

- Charting analysis— involves the use of patterns in performance charts. NBIA uses this technique to search for patterns used to help predict favorable conditions for buying or selling a security.
- Cyclical analysis— involves the analysis of business cycles to find favorable conditions for buying or selling a security.
- Fundamental analysis— involves the analysis of financial statements, the general financial health of companies, or the analysis of management or competitive advantages.
- Macroeconomic— involves reviewing the domestic or international economies as a whole, potentially including such factors such as historical, present and estimated GDP, securities markets activity and valuations, other economic data such as unemployment, labor force participation, productivity levels, geopolitical issues and domestic political issues.
- Statistical analysis— involves the examination of data to draw conclusions or insights, and determine cause-and-effect patterns between events.
- Technical analysis— involves the analysis of past market data; primarily price and volume.
- Qualitative analysis— involves the subjective evaluation of non-quantifiable factors such as the quality of management, labor relations, and strength of research and development factors not readily subject to measurement, in an attempt to predict changes to share price based on that data.
- Quantitative analysis— uses computer, mathematical, or other types of models to capture and process data, including but not limited to, market data, industry information, and financial data for companies, in an attempt to forecast price activity or other market activity that is affected by that data.

No method of securities analysis can guarantee a particular investment result or outcome and the use of investment tools cannot and does not guarantee investment performance. The



methods of analysis utilized by NBIA involve the inherent risk that any valuations, pricing inefficiencies, or other opportunities identified may not materialize or have the anticipated impact on the price of a security. Prices of securities may raise, decline, underperform or outperform regardless of the method of analysis used to identify securities. Each method of analysis relies in varying degrees on information furnished from third-party and publically available sources. This presents the risk that methods of analysis may be compromised by inaccurate, incomplete, false, biased or misleading information. Security prices may be impacted by various factors independent of the methodology used to select securities. For example, a security price may be influenced by the overall movement of the market, rather than any specific company or economic factors. In addition, certain methods of analysis, such as the use of quantitative/investment models, involve the use of mathematical models that are based upon various assumptions. Assumptions used for modeling purposes may prove incorrect, unreasonable or incomplete.

Proprietary research is a crucial element of NBIA's investment process, and is generally a key component for its investment decisions. NBIA's research discipline incorporates three broad steps: (1) understanding market expectations as they are priced, (2) developing its own outlook against which to evaluate market expectations, and (3) establishing a confidence level in its view that is supported by thorough fundamental analysis.

### ***Sources of Information***

In conducting its investment analysis, NBIA utilizes a broad spectrum of information, including:

- annual reports, prospectuses and filings with the SEC or with non-U.S. regulators
- charts, statistical material and analyses
- contact with affiliated and outside analysts and consultants
- discussions and meetings with company management
- reviews of private corporate documents (including business plans, financial records and projections)
- discussions and meetings with NBIA or third party research analysts
- financial publications, and industry and trade journals
- issuer press releases, presentations and interviews (in person or by telephone)
- newspapers, magazines and websites
- personal assessment of the financial consequences of world events derived from general information
- rating services
- research materials prepared by NBIA's internal staff or third parties
- timing services
- such other material as is appropriate under the particular circumstances
- inspections of issuer activities

NBIA may also rely on the research and portfolio management of its affiliated investment advisers. See Item 10.C.3.

In addition, for certain investment strategies, NBIA has developed or purchased quantitative-based tools and frameworks that it integrates directly into its investment management process.

Those tools and frameworks are based on fundamental investment concepts and relationships that are consistent with NBIA's philosophy.

With respect to Private Funds, NBIA evaluates investments based on a variety of factors as described in the Offering Memorandum for each Private Fund.

Investments for each NB Registered Fund are identified and selected by NBIA, either directly or through a sub-adviser. NBIA evaluates investments based on a variety of factors as described in the Offering Documents for each NB Registered Fund. For certain funds, investments are identified and selected by third party sub-advisers that have been selected by NBIA and which may manage one or more sub-portfolios of the overall fund. The investment methods used by such managers are those adopted by each sub-adviser and are monitored by NBIA.

For each Sub-Advised Account, NBIA identifies and selects investments in accordance with the investment objectives, policies and restrictions set forth in the applicable sub-advisory agreement.

With respect to its Consulting Services as well as generally for certain investment strategies, NBIA utilizes the NBIA Software, which uses proprietary models and provides tools for the analysis of mortgage loan portfolios. The NBIA Software also provides projections of variations, losses, prepayments and cash flows and facilitates the development of scenarios that explore alternative outcome horizons.

## **B. Investment Strategies**

Below is a summary of NBIA's investment strategies. Certain client portfolios may include customized investment features that may impact the specific investment strategy or strategies implemented for a particular client, including the allocation within a portfolio to equity or fixed income securities. As financial markets and products evolve, NBIA may invest in other securities or instruments, whether currently existing or developed in the future, when consistent with client guidelines, objectives and policies and applicable law.

Subject to firm-wide policies on suitability and conflicts of interest and compliance with securities laws and regulations, the purchase and sale of securities and other financial instruments for Client Accounts is based upon the judgment of the individual portfolio manager or group supervising the particular account, who are encouraged to use those methods with which they have been successful.

Certain material risks associated with these strategies are set forth in Section (C), below. This is a summary only. Clients should not rely solely on the descriptions provided below. The principal investment strategy for each Private Fund is more particularly described in the Private Fund's Offering Memorandum and the principal investment strategy for each NB Registered Fund, Non-U.S. Registered Fund and Third-Party Mutual Fund is more particularly described in the fund's Offering Documents. Prospective investors should carefully read the relevant Offering

Memorandum or Offering Document and consult with their own counsel and advisers as to all matters concerning an investment in any fund.

### **Fixed Income Strategies**

NBIA offers advice on a wide range of fixed income securities and other financial instruments including:

- Corporate debt securities
- Preferred securities
- Asset-backed securities, including, without limitation, mortgage-backed securities
- Loan assets, including, without limitation, distressed debt
- Rule 144A securities
- Convertible bonds
- Commercial paper
- Certificates of deposit
- Money market instruments
- Municipal securities
- U.S. government securities
- Securities of non-U.S. issuers (including ADRs, EDRs and GDRs)
- Sovereign, quasi-sovereign and sub-sovereign securities
- Supranational securities
- Warrants
- GDP performance linked securities (also known as GDP warrants)
- Put and call options
- Swaptions
- Inflation-linked securities
- Exchange-traded funds (“ETFs”)
- Securities traded over-the-counter
- Futures contracts on tangibles and intangibles and options thereon
- Credit-linked notes (“CLNs”)
- Listed and over-the-counter derivatives, including, without limitation, credit default swaps, interest rate swaps, currency swaps, total return swaps, commodity swaps, forward contracts and other synthetic exposure instruments
- Option contracts on securities, futures and commodities futures
- Collateralized loan obligations (“CLOs”) and collateralized debt obligations (“CDOs”)
- Residential mortgage loans
- Trade claims
- Real estate investment trusts (“REITs”)
- Exchange listed and over the counter equity securities of U.S. and Non-U.S. issuers
- Currencies
- Forward currency contracts-both deliverable and non-deliverable (“NDFs”)
- Investments in registered and unregistered investment companies
- Vendor financing
- Short Sales
- Contracts for differences
- Sukuk (Islamic bonds)
- Other alternative investments

NBIA fixed income strategies may also hold cash and cash equivalents.

NBIA’s investments may be denominated in currencies other than the U.S. dollar. Those assets may be issued by sovereign entities and corporations. NBIA may use investments in derivative instruments for hedging and non-hedging purposes. Derivative investments may only be entered into in accordance with a client’s investment guidelines and applicable laws.

NBIA provides investment management services based on a variety of fixed income strategies. Each has a specialty investment team devoted to it. Client Accounts are managed within these strategies and, when the client's portfolio can benefit by including additional resources in seeking to meet its investment objectives and the client agrees, across strategies. The investment teams work closely together to manage strategies that overlap different products. NBIA generally manages Client Accounts against published bond and loan market benchmarks as well as custom bond and loan market benchmarks in strategies designed to achieve unique objectives. Within each strategy, NBIA incorporates differing levels of risk management to meet client-specific needs. The strategies include:

- **Investment Grade Strategies:** NBIA manages fixed income strategies that focus primarily on a universe of investment grade issuers. NBIA's investment grade fixed income strategies span a variety of categories, including broad market, opportunistic, long duration, specialty, short duration and cash. Certain strategies may also include exposure to non-investment grade issues and other investments. The following are some of NBIA's significant investment grade fixed income strategies:

#### Broad Market

- Core Bond
- European Fixed Income
- Core Plus
- Global Fixed Income
- Enhanced Bond Index
- Passive Bond Index

#### Opportunistic

- Opportunistic Fixed Income
- Global Opportunistic Fixed Income
- Opportunistic Credit Fixed Income
- Global Bond Absolute Return

#### Long Duration

- Liability Driven Investing
- Long Credit
- Long Government Credit

#### Short Duration and Cash

- Enhanced Cash
- Short Duration
- Tax-Advantaged Cash Management

#### Specialty

- TIPS
- Investment Grade Credit
- Crossover Credit
- Diversified Currency
- Mortgage Constrained
- Mortgage Unconstrained
- Global Credit Fixed Income
- Index/ETF Options

- **Municipal Strategies:** NBIA manages municipal fixed income strategies that focus primarily on tax-exempt municipal securities, both state specific and general market. The credit quality and duration of the strategies may vary. The following are some of NBIA's significant municipal fixed income strategies:

- |                            |                                  |
|----------------------------|----------------------------------|
| • Municipal Extended Core  | • Municipal Ultra Short Duration |
| • Municipal Core           | • Municipal Enhanced Cash        |
| • Municipal Short Core     | • Municipal Cash Management      |
| • Municipal Short Duration | • Tax-Advantaged Cash Management |
| • High Yield Municipals    |                                  |

- **Non-Investment Grade Credit Strategies:** NBIA manages a variety of strategies that focus primarily on non-investment grade issuers, including high yield, floating rate loan and distressed debt strategies. The high yield strategies include both U.S. and Global strategies as well as strategies with a specific credit quality or duration bias. The floating rate loan strategy is utilized in various Client Accounts, including without limitation, structured vehicles (e.g., CLOs). NBIA's distressed debt strategies may include duration biased, opportunistic stressed, distressed and special situation investments in credit-related products. Distressed debt strategies may also invest with the intention of taking a control position in a company or as a non-control participant. The following are some of NBIA's significant non-investment grade fixed income strategies:

#### High Yield

- U.S. High Yield
- Short Duration High Yield
- European High Yield
- Quality Bias High Yield
- Global High Yield

#### Distressed Debt (Special Situations)

#### Floating Rate Loans

- **Emerging Market Debt Strategies:** NBIA manages fixed income strategies that focus on emerging market debt, including hard currency, local currency, short duration and corporate debt strategies. The denomination of the strategies may vary and strategies may be permitted to invest in derivative instruments. NBIA also manages emerging market debt strategies that combine the portfolio management team's highest conviction investment ideas amongst the four individual emerging market debt strategies (hard currency, local currency, short duration and corporate debt) and such strategies may include a tactical asset overlay. NBIA's emerging market debt strategies may include strategies that focus on regional sub-sets (e.g., Asian currency, China bonds, etc.).
- **Residential Loan Modification Strategy:** Through structured vehicles, NBIA provides exposure to the residential loan market. This strategy primarily focuses on products related to mortgage lending, residential, commercial, multi-family residential rental, mixed residential/commercial and investment mortgage loans, open and closed end home equity lines of credit and loans secured by real property or land ("**Mortgage Loans**"), real property, mortgage-backed and other asset-backed securities, mortgage loan servicing

rights, excess servicing spread, servicer advances, equity interests in related operating companies, and various types of interests therein or synthetic exposure thereto or other mortgage or real estate investments. Inherent in the purchase of Mortgage Loans may be real estate that must be held for resale or leased for a period of time. This strategy involves the retention and supervision of mortgage loan servicers who work with borrowers on an individual level to achieve favorable loan outcomes and may entail leverage.

## **Equity Strategies**

NBIA's equity strategies are managed by teams comprised of experienced portfolio managers and investment analysts that are supported by the firm's Global Equity Research Department.

NBIA offers advice on a wide range of equity securities including, but not limited to:

- common stocks
- preferred stocks
- securities convertible into stocks
- REITs
- mutual funds and other investment companies
- ETFs
- participation/participatory notes (P-notes)
- options
- depositary receipts

NBIA equity strategies may also hold cash and cash equivalents.

NBIA's investments may be denominated in currencies other than the U.S. dollar. NBIA may use investments in derivative instruments for hedging and non-hedging purposes. Derivative investments may only be entered into in accordance with a client's investment guidelines and applicable laws.

NBIA manages a wide variety of traditional and non-traditional equities strategies:

- **Traditional Equity Strategies:** NBIA manages traditional equity investment approaches that are defined by or based upon a variety of factors including investment styles, market capitalization, geography or some combination thereof. Equity investment styles may include growth, a style that focuses on growth companies, value, a style that focuses on undervalued companies, core/blend, a style that is a combination of growth and value, as well as neutral style, which does not have a specific style approach. Market capitalization factors may include a focus on issuers with large market capitalization ("large-cap"), mid-size market capitalization ("mid-cap") or small market capitalization ("small-cap"), a combination thereof or all market capitalization range focus, or a market capitalization neutral approach. Geographic focus may include a global or multi-national approach, a specific geographic region or county focus, or approaches that are geographically neutral. Some traditional equity strategies may be diversified in terms of number of holdings while others may be more concentrated and include a smaller number of holdings. The following are some of NBIA's significant traditional equity strategies:

- Large Cap Disciplined Growth
  - Mid-Cap Growth
  - Small Cap Growth
  - Core Equity
  - Flexible All Cap Equity
  - Multi-Cap Opportunities
  - All Cap Intrinsic Value
  - Large Cap Value
  - Mid Cap Intrinsic Value
  - Small Cap Value
  - Small Cap Intrinsic Value
  - Small / Mid Cap Intrinsic Value
  - Global Equity
  - Emerging Markets Equity
  - International Equity
  - International Select
  - Greater China Equity
- **Non-Traditional Equity Strategies:** NBIA manages non-traditional equity investment strategies that are specialized or not defined by or focused on a specific investment style, market capitalization, geography or some combination thereof. That includes equity strategies that are defined or focused on (i) specific market sectors, such as energy, master limited partnerships, infrastructure, real estate investment trusts, (ii) specific objectives, such as equity-income, or (iii) unique approaches such as strategies that are based upon quantitative investment tools, strategies that incorporate socially responsible investing principals or strategies that are based primary on the ratings of the firm's Global Equity Research Department. Some non-traditional equity strategies may be diversified in terms of number of holdings while others may be more concentrated and include a smaller number of holdings. The following are some of NBIA's significant non-traditional equity strategies:
- MLPs
  - Energy
  - Infrastructure
  - Real Estate Securities
  - Global Real Estate Securities
  - Equity Income
  - Options
  - Event Driven
  - Index/ETF Options
  - Socially Responsive Equity
  - Systematic Large Cap Value
  - Systematic Global Equity
  - Systematic Emerging Markets Equity
  - Risk Balanced Global Equity
  - Research Opportunity

### **Alternative Strategies**

NBIA also offers alternative strategies that are managed by teams that specialize in alternative investing. Those strategies may invest in wide variety of equity, fixed income, and other instruments and may incorporate NBIA's elements of equity and fixed income strategies or leverage the research from these strategies. These strategies may involve long-only investing or a combination of long and short investment, which may involve the use of derivatives and leverage. The following are some of NBIA's significant alternative strategies:

- Absolute Return Multi-Manager
- Long/Short Multi-Manager
- Global Equity Long/Short
- Global Credit Long/Short
- Greater China Long/Short
- Private Equity
- Equity Long/Short
- Credit Long/Short
- All-Cap Alpha
- Commodities
- Risk Balanced Commodities

### **Multi-Asset Mandates**

NBIA also manages Multi-Asset Mandates that may combine certain of the fixed income and equity strategies described above and may also utilize certain strategies of NBIA-affiliated investment advisers. The Multi-Asset Mandates may include an investment processes that incorporate quantitative-based investing principals and quantitative-based strategic and tactical asset allocations models. The following are some of NBIA's significant Multi-Asset Mandates:

- Multi-Asset Class
- Global Tactical Asset Allocation
- Dynamic Beta Navigator
- Multi-Asset Income
- Flexible Select
- Inflation Managed

## **C. Material Risks**

***Investments in securities and other financial instruments involve risk of loss that investors must be prepared to bear.***

The following is a summary of the principal risks associated with the investment strategies employed by NBIA, as discussed in Item 8.B. This is a summary only and not every strategy may invest in each type of security or other asset discussed below nor will all accounts be subject to all the risks below. Each client should review the investment strategy associated with its particular account and should contact its client representative for more information about the strategies and risks present in the account. Private Fund investors should review the applicable Offering Memorandum and other offering documents for further information relating to the strategies and risks associated with the particular fund. Investors in NB Registered Funds, Non-U.S. Registered Funds and Third-Party Mutual Funds should also look to the relevant fund's Offering Documents and other fund offering documentation for further information on the risks associated with the particular fund.

### **General Risks Across All Strategies**

The following is a summary of material risks that may apply to NBIA's various investment strategies. Please note that certain risks, other than *Risk of Loss*, may not apply to all NBIA strategies or apply to a material degree.



**Risk of Loss.** Clients should understand that all investment strategies and the investments made pursuant to such strategies involve risk of loss, including the potential loss of the entire investment in the Client Accounts, which clients should be prepared to bear. The investment performance and the success of any investment strategy or particular investment can never be predicted or guaranteed, and the value of a client's investments will fluctuate due to market conditions and other factors. The investment decisions made and the actions taken for Client Accounts will be subject to various market, liquidity, currency, economic, political and other risks, and will not necessarily be profitable and may lose value. Past performance of Client Accounts is not indicative of future performance.

In addition to the risks listed here, there may be additional material risks associated with the types of products in which a Client Account invests. Clients should refer to the prospectus or other applicable offering documents of those particular products for a discussion of applicable risk factors for that particular investment.

- **Absence of Regulatory Oversight for Private Funds.** The Private Funds are not registered as investment companies under the Investment Company Act, and, accordingly, the significant investor protection provisions of the Investment Company Act (which provides certain regulatory safeguards to investors in registered investment companies), will not apply to investments in the Private Funds.
- **Asset Allocation Risk.** The asset classes in which a Client Account seeks investment exposure can perform differently from each other at any given time (as well as over the long term), so a Client Account will be affected by its allocation among equity securities, debt securities and cash equivalent securities. If a Client Account favors exposure to an asset class during a period when that asset class underperforms other asset classes, performance may suffer.
- **Bankruptcy of a Custodian or Broker.** Assets of a Client Account held by a custodian or broker may be held in the name of the custodian or broker in a securities depository, clearing agency or omnibus customer account of such custodian or broker. To the extent that assets are held in the United States by a custodian in a segregated account or by a broker in a customer account, such assets may be entitled to certain protections from the claims of creditors of the custodian or broker. However, a Client Account with assets held in a segregated account by a custodian may experience delays and expense in receiving a distribution of such assets in the case of a bankruptcy, receivership or other insolvency proceeding of such custodian. Assets held by brokers in a customer account are entitled to certain protections from the claims of creditors of the broker but may not have the same level of protection applicable to segregated accounts held by a non-broker custodian and thus may not be sufficient to satisfy the full amount of customer claims. Assets held by non-U.S. brokers or custodians may not be subject to the same regulations regarding the segregation of customer assets from the assets of the broker or custodian, or from assets held on behalf of other customers of the broker or custodian, and accordingly assets held by a non-U.S. broker or custodian may not be protected from the claims of creditors of the broker or custodian to the same extent as assets held by a U.S. broker or custodian.

- **Commodity Risk.** A Client Account with investments in physical commodity-linked derivative instruments may be subject to greater volatility than an account with investments in traditional securities. The value of physical commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. To the extent that a Client Account may concentrate assets in a particular sector of the commodities market (such as oil, metal or agricultural products), it may be more susceptible to risks associated with those sectors.
- **Control Situations.** From time to time with respect to distressed debt investments, subject to applicable investment guidelines, NBIA on behalf of a Client Account will take control positions in an issuer in an effort to maximize value. Not only can control investments take an inordinately long period to exit, but they also can be highly resource-intensive and contentious. NBIA and the Client Account may be particularly vulnerable to being named as defendants in litigation relating to their actions while in control of an issuer and may, from time to time, come into possession of material non-public information concerning specific issuers. If the issuer is a public company, until such material non-public information is made public, NBIA may be prohibited from trading the issuer's security for Client Accounts under applicable securities laws. Internal structures are in place to prevent misuse of such information. See Item 11.D.1.
- **Counterparty Risk.** To the extent that a Client Account enters into transactions on a principal-to-principal basis, the Client Account is subject to a range of counterparty risks, including the credit risk of its counterparty (i.e., counterparty default), the risk of the counterparty delaying the return of or losing collateral relating to the transaction, or the bankruptcy of the counterparty.
- **Currency Risk.** Currency fluctuations could negatively impact investment gains or add to investment losses. The value of Client Accounts invested in currencies may rise and fall due to exchange rate fluctuations in respect of the relevant currencies. Adverse movements in currency exchange rates can result in a decrease in return and a loss of capital. The investments may be hedged utilizing foreign currency forwards, foreign currency futures, options on foreign currency and other currency related instruments. However, currency hedging transactions, while potentially reducing the currency risks to which a Client Account would otherwise be exposed, involve certain other risks, including the risk of a default by a counterparty. Where a Client Account engages in foreign exchange transactions which alter the currency exposure characteristics of its investments, the performance of such Client Account may be strongly influenced by movements in exchange rates as currency positions held by the Client Account may not correspond with the securities positions held. Where a Client Account enters into "cross hedging" transactions (e.g., utilizing currency different than the currency in which the security being hedged is denominated), the Client Account will be exposed to the risk that changes in the value of the currency used to hedge may not correlate with changes in the

value of the currency in which the securities are denominated, which could result in losses in both the hedging transaction and the Client Account securities.

- **Dependence on NBIA.** The performance of a Client Account depends on the skill of NBIA and its portfolio manager(s) in making appropriate investment decisions. Any Client Account's success depends upon NBIA's ability to develop and implement investment strategies and to apply investment techniques and risk analyses that achieve the account's investment objectives. Subjective decisions made by NBIA may cause the account to incur losses or to miss profit opportunities on which it may otherwise have capitalized.
- **Derivatives Risk.** Derivatives are financial contracts whose value depend on, or are derived from, the value of an underlying asset, reference or index. In implementing certain of its investment strategies, NBIA may use derivatives, such as futures, options, forward contracts and swaps, as part of a strategy designed to reduce exposure to other risks or to take a position in an underlying asset. Derivatives may involve risks different from, or greater than, those associated with more traditional investments. Derivatives can be highly complex, can create investment leverage and may be highly volatile, which could result in the strategy losing more than the amount it invests. Derivatives may be difficult to value and highly illiquid, and NBIA may not be able to close out or sell a derivative position at a particular time or at an anticipated price. NBIA is not required to engage in derivative transactions, even when doing so would be beneficial to the Client Account

Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") provided for a sweeping overhaul of the regulation of privately negotiated derivatives. The U.S. Commodities Futures Trading Commission ("**CFTC**") has been granted broad regulatory authority over "swaps," which term has been defined in the Dodd-Frank Act and related CFTC rules to include derivatives. Title VII may affect a Client Account's ability to enter into derivative transactions, may increase the costs in entering into such transactions, or may result in Client Accounts entering into such transactions on less favorable terms than prior to effectiveness of the Dodd-Frank Act.

In addition, NBIA may take advantage of opportunities with respect to derivative instruments that are not currently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the Client Account's investment objectives and guidelines and legally permissible. Special risks may apply to such instruments that cannot be determined until such instruments are developed or invested in by the Client Account.

*Derivative Counterparty Risk.* Derivatives are subject to counterparty risk, which is the risk that the other party to the derivative contract will fail to make required payments or otherwise to comply with the terms of the contract. This risk is generally regarded as greater in privately negotiated, over the counter (OTC) transactions, in which the counterparty is a single bank or broker-dealer, than in cleared transaction, in which the counterparty is a clearing organization comprised of many bank and broker-dealer members, but some level of counterparty risk exists in all derivative transactions.

If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Client Account could lose any gains that have accrued to it in the transaction and could miss investment opportunities or be required to hold investments it would prefer to sell, resulting in losses for the Client Account. If the counterparty defaults, a Client Account will have contractual remedies, but there can be no assurance that the counterparty will be able to meet its contractual obligations or that the Client Account will be able to enforce its rights. For example, the Client Account may be delayed or limited in enforcing its rights against any margin or collateral posted by the counterparty, which may result in the value of that collateral becoming insufficient. Also, because OTC derivatives transactions are individually negotiated with a specific counterparty, a Client Account is subject to the risk that a counterparty may interpret contractual terms (*e.g.*, the amount payable to or by the Client Account upon a default or other early termination) in a manner adverse to the Client Account. The cost and unpredictability of the legal proceedings required to enforce a Client Account's contractual rights may lead the Client Account to decide not to pursue its claims against the counterparty.

Counterparty risk is greater for derivatives with longer maturities where events may intervene that prevent required payments from being made. Counterparty risk is also greater when a Client Account has concentrated its derivatives with a single or small group of counterparties. To the extent a Client Account has significant exposure to a single counterparty, this risk will be particularly pronounced for the Client Account. The Client Account, therefore, assumes the risk that it may be unable to obtain payments that NBIA believes are owed under an OTC derivatives contract or that those payments may be delayed or made only after the Client Account has incurred the costs of litigation. In addition, counterparty risk is pronounced during unusually adverse market conditions and is particularly acute in environments in which financial services firms are exposed to systemic risks. A Client Account may obtain only a limited recovery or may obtain no recovery upon a counterparty default.

*Bankruptcy of a Clearing Organization or Clearing Member.* A party to a cleared derivatives transaction is subject to the credit risk of the clearing organization that becomes the counterparty to the transaction and that of the clearing member through which it holds its cleared position, rather than the credit risk of its original counterparty to the derivatives transaction. Credit risk of market participants with respect to derivatives that are centrally cleared is concentrated in a few clearing organizations. It is not clear how an insolvency proceeding of a clearing organization would be conducted or what impact an insolvency of a clearing organization would have on the financial system.

A clearing member is obligated by contract and by applicable regulation to segregate all funds received from customers with respect to cleared derivatives positions from the clearing member's proprietary assets. However, all funds and other property received by a clearing member from its customers with respect to cleared derivatives are generally held by the clearing member on a commingled basis in an omnibus account, and the clearing member may invest those funds in instruments permitted under the applicable regulations. Therefore, a Client Account might not be fully protected in the event of the

bankruptcy of a Client Account's clearing member because the Client Account would be limited to recovering only a pro rata share of the funds held in the omnibus account for the relevant account class.

*Risk of Failure of a Clearing Broker to Comply with Margin Requirements.* The clearing member is required to transfer to the clearing organization the amount of margin required by the clearing organization for the cleared derivatives. Such amounts are generally held in an omnibus account at the clearing organization for all customers of the clearing member. Regulations promulgated by the CFTC require that the clearing member notify the clearing organization of the portion of the aggregate initial margin provided by the clearing member to the clearing organization that is attributable to each customer. However, if the clearing member does not accurately report a Client Account's initial margin, the Client Account would be subject to the risk that the clearing organization will use Client Account's assets held in an omnibus account at the clearing organization to satisfy payment obligations of a defaulting customer of the clearing member to the clearing organization. In addition, clearing members generally provide the clearing organization the net amount of variation margin required for cleared swaps for all of its customers in the aggregate, rather than individually for each customer. The Client Accounts are therefore subject to the risk that a clearing organization will not make variation margin payments owed to them if another customer of the clearing member has suffered a loss or is in default, and the risk that Client Accounts will be required to provide additional variation margin to the clearing organization before the clearing organization will move the Client Account's cleared derivatives positions to another clearing member. In addition, if a clearing member does not comply with the applicable regulations or its agreement with the Client Accounts, or in the event of fraud or misappropriation of customer assets by a clearing member, Client Accounts could have only an unsecured creditor claim in an insolvency of the clearing member with respect to the margin held by the clearing member. Client Accounts also would have only an unsecured claim for the return of any margin held by the clearing member that is in excess of the amounts owed to the Client Accounts on their derivative contracts cleared through that clearing member.

*Daily Trading Limits Imposed by the Exchanges and Position Limits.* The CFTC and U.S. commodities exchanges limit the amount of fluctuation permitted in futures contract prices during a single trading day by regulations referred to as "daily price fluctuation limits" or "daily trading limits." Once the daily trading limit has been reached in a particular futures contract, no trades may be made that day at a price beyond that limit or trading may be suspended for specified periods during the trading day. Futures contract prices could move to the limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of futures positions and potentially disguising substantial losses the Fund may ultimately incur.

Separately, the CFTC and the U.S. commodities exchanges and certain non-U.S. exchanges have established limits referred to as "speculative position limits" or "accountability levels" on the maximum net long or short futures positions that any person may hold or control in contracts traded on such exchanges. In October 2011, the CFTC adopted final

regulations pursuant to the Dodd-Frank Act that would have imposed new position limits on 28 individual agricultural, metal and energy commodity futures and options contracts and on swaps that are economically equivalent to such contracts in order to prevent excessive speculation and manipulation in the commodity markets. On September 28, 2012, the U.S. District Court for the District of Columbia vacated the new position limit regulations and remanded the matter to the CFTC for further consideration consistent with the court's opinion. The CFTC originally appealed the court's decision, but in November 2013, the CFTC withdrew its appeal and re-proposed position limit regulations substantially as outlined above, with a few modifications. In addition, the CFTC proposed regulations that would modify certain exemptions from aggregation of accounts of related parties for these purposes. The initial public comment period for these proposed regulations closed on February 10, 2014. However, since such time, the CFTC has re-opened the public comment period several times and has held public interest meetings to discuss certain position limit and aggregation issues. It remains to be seen whether the CFTC will modify the proposed regulations in response to public comments. The re-proposed regulations are extremely complex and, if ultimately implemented, whether in their current proposed form or an alternative form, may require further guidance and interpretation by the CFTC to determine in all respects how they apply. The full implementation of a Client Account's investment strategy could be negatively impacted by the existing or any future position limits regulations.

*Additional Risk Factors in Cleared Derivatives Transactions.* Transactions in some types of swaps (including interest rate swaps and credit default swaps on North American and European indices) are required to be centrally cleared. In a transaction involving those swaps, a Client Account's counterparty is a clearing organization, rather than a bank or broker. Since the Client Accounts are not members of clearing organizations and only members of a clearing organization can participate directly in the clearing organization, the Client Accounts will hold cleared derivatives through accounts at clearing members. In cleared derivatives positions, the Client Accounts will make payments (including margin payments) to and receive payments from a clearing organization through their accounts at clearing members. Clearing members guarantee performance of their clients' obligations to the clearing organization.

In many ways, cleared derivative arrangements are less favorable to Client Accounts than bilateral arrangements. For example, the Client Accounts may be required to provide more margin for cleared derivatives positions than for bilateral derivatives positions. Also, in contrast to a bilateral derivatives position, following a period of notice to a Client Account, a clearing member generally can require termination of an existing cleared derivatives position at any time or an increase in margin requirements above the margin that the clearing member required at the beginning of a transaction. Clearing organizations also have broad rights to increase margin requirements for existing positions or to terminate those positions at any time. Any increase in margin requirements or termination of existing cleared derivatives positions by the clearing member or the clearing organization could interfere with the ability of a Client Account to pursue its investment strategy. Further, any increase in margin requirements by a clearing member could expose a Client Account to greater credit risk to its clearing

member because margin for cleared derivatives positions in excess of a clearing organization's margin requirements typically is held by the clearing member.

A Client Account is subject to risk if it enters into a derivatives transaction that is required to be cleared (or that NBIA expects to be cleared), and no clearing member is willing or able to clear the transaction on the Client Account's behalf. While the documentation in place between the Client Accounts and their clearing members generally provides that the clearing members will accept for clearing all cleared derivatives transactions that are within specified credit limits for each Client Account, the Client Accounts are still subject to the risk that no clearing member will be willing or able to clear a transaction. In those cases, the position would be terminated, and the Client Account could lose some or all of the benefit of the position, including loss of an increase in the value of the position or loss of hedging protection.

The documentation governing the relationship between the Client Accounts and clearing members is drafted by the clearing members and generally is less favorable to the Client Accounts than typical bilateral derivatives documentation. For example, documentation relating to cleared derivatives generally includes a one-way indemnity by the Client Accounts in favor of the clearing member for losses the clearing member incurs as the Client Accounts' clearing member and typically does not provide the Client Accounts any remedies if the clearing member defaults or becomes insolvent. While futures contracts entail similar risks, the risks likely are more pronounced for cleared swaps due to their more limited liquidity and market history.

- **Diversification Risk.** Client Accounts may not be diversified across a wide range of asset classes or issuers could increase the risk of loss and volatility than would be the case if the Client Account were diversified across asset classes because the value of issue holdings would be more susceptible to adverse events affecting that asset class or issuer.
- **Non-U.S. and Emerging Markets Risk.** Non-U.S. securities involve risks in addition to those associated with comparable U.S. securities and can be more volatile and experience more rapid and extreme changes in price than U.S. securities. Additional risks include exposure to less developed or less efficient trading markets; social, political or economic instability; fluctuations in non-U.S. currencies; nationalization or expropriation of assets; settlement, custodial or other operational risks; and less stringent auditing, accounting, financial reporting and legal standards. As a result, non-U.S. securities can fluctuate more widely in price, and may also be less liquid, than comparable U.S. securities. Securities markets of countries other than the U.S. are generally smaller than U.S. securities markets with a limited number of issuers representing fewer industries. In many countries, there is less publicly available and lower quality information about issuers than is available in the reports and ratings published about issuers in the U.S. Many non-U.S. securities may be less liquid than U.S. securities, which could affect the investments under a strategy that utilizes these types of securities. For example, with respect to Client Accounts that invest in China A-shares through the Shanghai-Hong Kong Stock Connect program ("**Connect Program**"), the Connect Program is subject to quota limitations and an investor cannot purchase and sell the same security on the same trading day, which may restrict a Client

Account's ability to invest in China A-shares through the Connect Program and to enter into or exit trades on a timely basis. Further, trades on the Connect Program are subject to certain requirements prior to trading. If those requirements are not completed prior to the market opening, a Client Account cannot sell the shares on that trading day.

Emerging markets are those of countries with immature economic and political structures. Investing in emerging markets may involve heightened and significant risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include, but are not limited to: (i) greater social, economic and political uncertainty including war; (ii) higher dependence on exports and the corresponding importance of international trade; (iii) greater risk of inflation; (iv) increased likelihood of governmental involvement in and control over the economies; (v) governmental decisions to cease support of economic reform programs or to impose centrally planned economies; (vi) the possibility of nationalization, expropriation, confiscatory tax policies and social instability; and (vii) considerations regarding the maintenance of a Client Account's securities and cash with non-U.S. brokers and custodians.

Companies in emerging markets are generally subject to less stringent and less uniform accounting, auditing and financial reporting standards, practices and disclosure requirements than those applicable to companies in developed countries. Securities markets in emerging market countries may have substantially less volume of trading and are generally more volatile than securities markets of developed countries. In certain periods, there may be little liquidity in such markets. There is often less government regulation of stock exchanges, brokers and listed companies in emerging market countries than in developed market countries. Commissions for trading on emerging markets stock exchanges are generally higher than commissions for trading on developed market exchanges. Settlement of trades in some non-U.S. markets is much slower and more subject to failure than in U.S. markets. In addition, custodial or settlement systems may not be fully developed in emerging market countries, thereby exposing a Client Account to the risk of a sub-custodian's failure with no recourse against the custodian.

Many of the laws that govern private and foreign investment, securities transactions and other contractual relationships in emerging markets are new and largely untested. As a result, investing in emerging markets involves a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets and lack of enforcement of existing regulations. Furthermore, it may be difficult to obtain and enforce a judgment in certain emerging markets.

Emerging market securities also will be affected by general economic and market conditions, such as exchange rates, interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls and national and international political circumstances. These factors may affect the level and



volatility of securities' prices and the liquidity of the Client Account's investments. Volatility or illiquidity could impair a Client Account's profitability or result in losses.

Specifically, investments in the People's Republic of China ("**PRC**") involve certain risks and special considerations not typically associated with Anglo sphere markets (i.e. Australia, Canada, New Zealand, the United Kingdom and the U.S.), such as greater government control over the economy, political and legal uncertainty, controls imposed by the PRC authorities on foreign exchange and movements in exchanges rates (which may impact on the operations and financial results of PRC companies), risks related to the Renminbi Qualified Foreign Institutional Investor (RQFII) scheme, confiscatory taxation, the risk that the PRC government may decide not to continue to support economic reform programs, the risk of nationalization or expropriation of assets, lack of uniform auditing and accounting standards, less publicly available financial and other information, potential difficulties in enforcing contractual obligations and limitations on the ability to distribute dividends due to currency exchange issues, which may result in risk of loss of favorable tax treatment.

- **Energy Risk.** Investments in energy are inherently subject to numerous risks arising from their operations, which may have an adverse effect on Client Accounts. The risks may include: (i) the risk that technology employed in an energy project will not be effective or efficient; (ii) risks of equipment failures, fuel interruptions, loss of sale and supply contracts or fuel contracts, decreases or escalations in power contract or fuel contract prices, reduced availability of natural gas or other commodities for transporting processing or delivering, slowdowns in new construction, bankruptcy of key customers or suppliers, tort liability in excess of insurance coverage, inability to obtain desirable amounts of insurance at economic rates, and natural disasters, extreme weather, labor difficulties, threats or acts of terrorism, wars, embargoes and other catastrophic events; (iii) risks that regulations affecting the energy industry will change in a manner detrimental to the industry; (iv) environmental liability risks related to energy properties and projects; (v) uncertainty about the extent, quality and availability of oil, gas and coal reserves; (vi) the risk of changes in values of companies in the energy sector whose operations are affected by changes in prices and supplies of energy fuels (prices and supplies of energy fuels can fluctuate significantly over a short period of time due to changes in international politics, energy conservation, the success of explorations projects, the tax and other regulatory policies of various governments and the economic growth of countries that are large consumers of energy, as well as other factors).
- **Failure to Make Capital Contributions.** With respect to Private Funds that utilize investor capital calls, the consequences of defaulting on a capital call notice generally are material and adverse to the defaulting investor. In addition, if an investor fails to make a capital contribution when due and the capital contributions made by non-defaulting investors and short-term borrowings by the Private Fund are inadequate to cover the defaulted capital contribution, the Private Fund itself may be unable to pay its obligations when due. As a result, Private Funds may be subjected to significant penalties that could materially adversely affect the returns to the non-defaulting investors.

- Forward Contracts.** If Client Account investment guidelines permit, NBIA may enter into forward contracts and options thereon which are not traded on exchanges and are generally not regulated on behalf of such account. There are no limitations on daily price moves of forward contracts. Banks and other dealers with which a Client Account may maintain accounts normally require the Client Account to deposit margin with respect to such trading. The counterparties are not required to continue to make markets in such contracts and these contracts can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain counterparties have refused to continue to quote prices for forward contracts or have quoted prices with an unusually wide spread (the price at which the counterparty is prepared to buy and that at which it is prepared to sell). Arrangements to trade forward contracts may be made with only one or a few counterparties, and liquidity problems therefore might be greater than if such arrangements were made with numerous counterparties. The imposition of credit controls by governmental authorities might limit such forward trading to less than that which NBIA would otherwise recommend, to the possible detriment of a Client Account. Market illiquidity or disruption could result in major losses to a Client Account. In addition, a Client Account may be exposed to credit risks with regard to counterparties with which it trades as well as risks relating to settlement default. Such risks could result in substantial losses to a Client Account.
- Fraudulent Conveyance Considerations.** Various laws enacted for the protection of creditors may apply to certain investments that are debt obligations, although the existence and applicability of such laws will vary from jurisdiction to jurisdiction. For example, if a court were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment and the grant of any security interest or other lien securing such investment, and, after giving effect to such indebtedness, the borrower (i) was insolvent, (ii) was engaged in a business for which the assets remaining in such borrower constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could invalidate such indebtedness and such security interest or other lien as a fraudulent conveyance, subordinate such indebtedness to existing or future creditors of the borrower or recover amounts previously paid by the borrower (including to a Client Account) in satisfaction of such indebtedness or proceeds of such security interest or other lien previously applied in satisfaction of such indebtedness. In addition, if an issuer in which a Client Account has an investment becomes insolvent, any payment made on such investment may be subject to avoidance as a “preference” if made within a certain period of time (which may be as long as one year) before insolvency.

In general, if payments on an investment are voidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient or from subsequent transferees of such payments. To the extent that any such payments are recaptured from a Client Account, the resulting loss will be borne by the Client Account or, indirectly, by investors in a Private Fund, as applicable.

- Futures.** NBIA may engage in regulated futures transactions for active management or risk management or hedging purposes. Trading in futures and options on futures involves significant risks, including the following: (i) futures contracts and options on futures are volatile in price; (ii) futures trading is highly leveraged; (iii) futures trading may be illiquid; (iv) the clearing broker, or “futures commission merchant” may misuse or lose collateral (“margin”) associated with the futures contracts; and (v) the clearing broker may default, file for bankruptcy or become insolvent. As discussed above, such a default may lead to a loss within the Client Account of margin deposits made by the Client Account in the event of bankruptcy of a clearing broker with whom a Client Account has an open position in a futures contract or related option. Client Accounts may sustain a total loss of the futures contracts including the initial margin and any maintenance margin that it deposits with a broker to establish or maintain a position in the commodity futures market. If the market moves against a position in a Client Account, such Client Account may be required to deposit a substantial amount of additional margin, on short notice, in order to maintain its position. If the Client Account does not provide the required margin within the prescribed time, its position may be liquidated at a loss, and the Client will be liable for any resulting deficit in its account. The high degree of leverage that is often obtainable in futures trading because of the small margin requirements can work against a Client Account, as well as for it. The use of leverage can lead to large losses. Foreign futures markets may have greater risk than U.S. futures markets. Unlike trading on U.S. commodity exchanges, trading on foreign commodity exchanges is not regulated by the CFTC and may be subject to greater risks than trading on U.S. exchanges. Futures markets may also be illiquid which could prevent NBIA from promptly liquidating unfavorable positions and adversely affect trading and profitability.
- Geographic Risk.** From time to time, based on market or economic conditions, the Client Account may invest a significant portion of its assets in one country or geographic region. If the Client Account does so, there is a greater risk that economic, political, social and environmental conditions in that particular country or geographic region may have a significant impact on the Client Account’s performance and that the Client Account’s performance will be more volatile than the performance of more geographically diversified funds. The economies and financial markets of certain regions can be highly interdependent and may decline all at the same time. In addition, certain areas are prone to natural disasters such as earthquakes, volcanoes, droughts or tsunamis and are economically sensitive to environmental events. Alternatively, the lack of exposure to one or more countries or geographic regions may adversely affect performance.
- Hedging.** Hedging techniques involve one or more of the following risks: (i) imperfect correlation between the performance and value of the hedging instrument and the Client Account’s position being hedged; (ii) possible lack of a secondary market for closing out a position in such instruments; (iii) losses resulting from interest rate, spread or other market movements not anticipated by NBIA; (iv) the possible obligation to meet additional margin or other payment requirements, all of which could worsen the Client Account’s position; and (v) default or refusal to perform on the part of the counterparty with which the Client Account trades. Furthermore, to the extent that any hedging

strategy involves the use of derivative instruments, such a strategy will be subject to the risks applicable to such instruments, as described herein.

- **High Frequency Trading.** Strategies involving frequent trading of securities can adversely affect investment performance, particularly through increased brokerage and other transaction expenses, including unfavorable tax consequences. NBIA will not generally seek to limit portfolio turnover when making investment decisions. Portfolio turnover can vary from year to year, as well as within a year. Portfolio turnover and brokerage and other transactions expenses may exceed those of investments of comparable size. Brokerage commissions, fees, taxes, and other transaction costs may be substantial, regardless of performance.
- **Investment Analyses.** From time to time, NBIA may provide non-discretionary investment advisory services in the form of non-binding investment advice or analyses. There can be no assurance that its advice or analyses will result in profitable investing or avoidance of loss. The advice is highly reliant on the accuracy of the information provided by the client and by third parties. Any inaccurate information could compromise the quality of the advice provided. Further, the advice and analyses provided are often time sensitive, especially during times of significant market volatility. With respect to the provision of such non-discretionary services, clients have sole discretion and final responsibility for deciding whether to buy, sell, hold or otherwise transact in any security. The client may be unable to execute the related transaction, or there could be a delay in the amount of time the client takes to execute the related transaction that renders the advice provided moot, potentially reducing any profit or causing a material loss. Analyses may be based on assumptions that are based upon a limited number of variables that may be extracted from complex financial markets or instruments they intend to replicate. Any one or all of these assumptions could over time prove to be inaccurate, which could result in major losses.
- **Investment Company Risk.** To the extent a Client Account invests in ETFs or other investment companies, its performance will be affected by the performance of those other investment companies. Investments in ETFs and other investment companies are subject to the risks of the investment companies' investments, as well as to the investment companies' expenses. If a Client Account invests in other investment companies, the Client Account may receive distributions of taxable gains from portfolio transactions by that investment company and may recognize taxable gains from transactions in shares of that investment company, which would be taxable when distributed.
- **Investment Strategy and Portfolio Management Risk.** There can be no assurance that an investment strategy will produce an intended result, which would result in losses to an investor, including, potentially, a complete loss of principal. The performance of a strategy depends on the skill of NBIA and its portfolio manager(s) in making appropriate investment decisions.
- **Leverage Risk.** Certain Client Accounts in accordance with their investment guidelines may seek to enhance returns through the use of leverage, which can be described as

exposure to changes in price at a ratio greater than 1:1 in reference to the amount invested. Additionally, leverage may involve borrowing by a Client Account to buy securities on margin or make other investments. Leverage magnifies both the favorable and unfavorable effects of price movements in the investments made by a Client Account, which may subject it to substantial risk of loss. In the event of a sudden, precipitous drop in value of a Client Account's assets occasioned by a sudden market decline, it might not be able to liquidate assets quickly enough to meet its margin or borrowing obligations. Also, because acquiring and maintaining positions on margin allows a Client Account to control positions worth significantly more than its investment in those positions, the amount that it stands to lose in the event of adverse price movements is higher in relation to the amount of its investment. In addition, since margin interest will be one of the Client Account's expenses and margin interest rates tend to fluctuate with interest rates generally, it is at risk that interest rates generally, and hence margin interest rates, will increase, thereby increasing its expenses.

Similarly, investments may be made in companies whose capital structures may have significant leverage. To the extent a company in which a Client Account invests is leveraged, its leveraged capital structure will increase the exposure of the company to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the company or its industry sector, which could result in the account experiencing a loss in its investment in that company.

- **Liquidity Risk.** Illiquid securities are securities that are not readily marketable, and, as a result, may be more difficult to purchase or sell at an advantageous price or time. A Client Account could lose money if it cannot sell a security at the time and price that would be most beneficial to it. Further, the lack of an established secondary market may make it more difficult to value illiquid securities, which could vary from the amount the Client Account could realize upon disposition. Judgment plays a greater role in pricing these investments than it does in pricing investments having more active markets, and there is a greater risk that the investments may not be sold for the price at which they are carried. The sale of some illiquid securities may be subject to legal restrictions, which could be costly to the Client Account.

A strategy may hold securities that are illiquid and cannot be transferred or redeemed for a substantial period of time, and there may be little or no near-term cash flow available to investors in the interim. Likewise, a portfolio may not receive any distributions representing the return of capital on an illiquid security for an indefinite period of time.

- **Litigation.** Foreclosures and reorganizations are contentious and adversarial. It is by no means unusual for participants to use the threat of, as well as actual, litigation as a negotiating technique. NBIA anticipates that the Firm or Client Accounts that invest in distressed debt or the residential loan modification strategies may be named as defendants in civil proceedings relating to certain of such accounts' investments. The expense of defending against such claims and paying any resulting settlements or judgments will generally be borne by the relevant Client Account. Any indemnification obligations would adversely affect such Client Account's returns. With respect to Private

Funds, indemnification obligations will generally survive the dissolution of the Private Fund, and may cause NBIA to retain a material reserve from the winding-up proceeds distributed to investors.

- **Market Volatility.** Markets may at times be volatile and values of individual securities and other investments may decline significantly, and sometimes rapidly, in response to adverse issuer, political, regulatory, market, economic or other developments that may cause broad changes in market value, public perceptions concerning these developments, and adverse investor sentiment. Changes in the financial condition of a single issuer may impact a market as a whole. If a Client Account sells a portfolio position before it reaches its market peak, it may miss out on opportunities for better performance.
- **Master Limited Partnerships (“MLPs”) Risk.** MLPs are limited partnerships that are publicly traded and which have the tax benefits of a limited partnership and the liquidity of a publicly traded company. Investments in securities (units) of MLPs involve risks that differ from an investment in common stock. Holders of the units of MLPs have more limited control and limited rights to vote on matters affecting the partnership. For example, unit holders may not elect the general partner or the directors of the general partner and they have limited ability to remove a MLP’s general partner. MLPs may issue additional common units without unit holder approval, which would dilute existing unit holders. In addition, conflicts of interest may exist between common unit holders, subordinated unit holders and the general partner of a master limited partnership, including a conflict arising as a result of incentive distribution payments. As an income producing investment, MLPs could be affected by increases in interest rates and inflation. There are also certain tax risks associated with an investment in units of MLPs, including the risk of depreciation recapture upon disposition, the risk of adjustments to income resulting from partnership-level tax audits and the risk of exposure to income taxes in multiple states.
- **Model Valuations Risk.** Certain of investments made by NBIA, including those in asset-backed securities and mortgage loans, will be based, in part, on complex models, including the NBIA Software, that incorporate a range of different inputs. Inadequate or incorrect factual information, misstated assumptions, as well as unforeseeable changes in economic factors can cause these models to yield materially inaccurate valuations — even if the model is fundamentally sound. Moreover, there can be no assurance that NBIA’s models are fundamentally sound or contain fully accurate data. The models used by NBIA will typically require certain market forecasts that are based on analytical models and assumptions. There can be no assurance that such models are accurate or that assumptions are not oversimplified, which would adversely affect market forecasts leading to potential losses and cash flow insufficiencies.
- **Non-U.S. Securities.** Non-U.S. securities can be more volatile and experience more rapid and extreme changes in price than U.S. securities. Securities markets of countries other than the U.S. are generally smaller than U.S. securities markets with a limited number of issuers representing fewer industries. In many countries, there is less publicly available and lower quality information about issuers than is available in the reports and ratings

published about issuers in the U.S. and non-U.S. issuers may not be subject to uniform accounting, auditing and financial reporting standards. Many non-U.S. securities may be less liquid than U.S. securities, which could affect the investments under a strategy that utilizes these types of securities. The exchange rates between U.S. dollar and non-U.S. currencies might fluctuate, which could negatively affect the value of the strategy's investments.

Non-U.S. securities may also be subject to higher political, social and economic risks. These risks include, but are not limited to, a downturn in the country's economy, excessive taxation, political instability, exchange control regulations and expropriation of assets by non-U.S. governments. Adverse conditions in a particular region could negatively affect securities of countries whose economies appear to be unrelated or not interdependent. Compared to the United States, non-U.S. governments and markets often have less stringent accounting, disclosure and financial reporting requirements.

- **Operational Risk:** NBIA uses service providers from time to time in connection with its products. A Client Account's ability to transact with NBIA may be negatively impacted due to operational risks arising from, among other problems, systems and technology disruptions or failures, or cybersecurity incidents. The occurrence of any of these problems could result in a loss of information, regulatory scrutiny, reputational damage and other consequences, any of which could have a material adverse effect on NBIA or its clients. NBIA, through its monitoring and oversight of its service providers, endeavors to determine that service providers take appropriate precautions to avoid and mitigate risks that could lead to such problems. However, it is not possible for NBIA or its service providers to identify all of the operational risks that may affect NBIA or to develop processes and controls to completely eliminate or mitigate their occurrence or effects.

Specifically, since the use of technology has become more prevalent in the course of managing Client Accounts, NBIA and the Client Accounts it manages may be more susceptible to operational risks through breaches in cybersecurity. A cybersecurity incident may refer to either intentional or unintentional events that allow an unauthorized party to gain access to client assets, customer data, or proprietary information, or cause NBIA to suffer data corruption or lose operational functionality. A cybersecurity incident could, among other things, result in the loss or theft of Client Account data or funds, clients or employees being unable to access electronic systems ("denial of services"), loss or theft of proprietary information or corporate data, physical damage to a computer or network system, or remediation costs associated with system repairs. Any of these results could have a substantial impact on Client Accounts. For example, if a cybersecurity incident results in a denial of service, service providers for a particular Client Account could be unable to access electronic systems to perform critical duties for such Client Account, such as trading, net asset value calculation or other accounting functions. Further, Client Accounts could also be exposed to losses resulting from unauthorized use of their personal information. Cybersecurity incidents could cause NBIA or one of its service providers to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, or financial loss of a significant magnitude. Cybersecurity incidents may also cause NBIA to violate applicable

privacy and other laws. NBIA has established risk management systems that seek to reduce the risks associated with cybersecurity, and business continuity plans in the event there is a cybersecurity breach. However, there is no guarantee that such efforts will succeed, and NBIA does not directly control the cybersecurity systems of the issuers of securities in which Client Accounts invest or NBIA's service providers.

- **Options.** NBIA may invest in options on behalf of a Client Account. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Although an option buyer's risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying securities. In theory, the writer (seller) of an uncovered call is subject to unlimited losses, but as a practical matter, the amount of potential loss is likely to be limited by reason of the option having only a limited term. The risk for a writer of a put option is that the price of the underlying securities may fall below the exercise price. The ability to trade in or exercise options may be restricted in the event that trading in the underlying securities interest becomes restricted.

Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of OTC options (options not traded on exchanges) are generally established through negotiation with the other party to the option contract. While this type of arrangement allows a Client Account greater flexibility to tailor an option to its needs, OTC options generally involve greater credit risk than exchange-traded options, in which the counterparty is a clearing organization.

*Risk Factors in Options Transactions.* The market price of options written by a Client Account will be affected by many factors, including changes in the market price or dividend rates of underlying securities (or in the case of indices, the securities comprising such indices); changes in interest rates or exchange rates; changes in the actual or perceived volatility of the relevant stock market and underlying securities; and the time remaining before an option's expiration. The market price of an option also may be adversely affected if the market for the option becomes less liquid. In addition, since an American-style option allows the holder to exercise its rights any time prior to the option's expiration, the writer of an American-style option has no control over when it may be required to fulfill its obligations as a writer of the option. (This risk is not present when writing a European-style option since the holder may only exercise the option on its expiration date.) There is also a risk of loss associated with the inability to close out of existing positions if those options were to become unavailable. In addition, regulatory agencies may impose exercise restrictions that may prevent the holder of an option from realizing value.

- **Private Funds: Lack of Liquidity.** There is no public market for interests in the Private Funds. Substantial transfer restrictions typically exist with respect to such interests. Investors can only redeem all or any permissible part of their investments in accordance



with the governing documents of the Private Fund, and may be subject to suspensions and other restrictions.

- **Projections.** NBIA will make investments relying, in part, upon projections it has developed concerning an issuer or its securities or other assets' future performance, cash flow, recovery value and other factors. Projections are inherently uncertain and subject to factors beyond the control of NBIA. The inaccuracy of certain assumptions, the failure of an issuer to satisfy certain financial requirements and the occurrence of unforeseen events could cause any such projection to be materially inaccurate. Investors should therefore carefully examine the assumptions behind a particular projection or targeted return.
- **Quantitative Trading/Tools Risk.** Quantitative investment strategies rely heavily on proprietary quantitative models in seeking to exploit short-term and long-term relationships among securities prices and volatility. The models employed may not be well-suited to prevailing market conditions or may be unreliable, where unusual events specific to particular corporations or major events external to the operation of markets may cause extreme market moves that are inconsistent with the historic correlation and volatility structure of the market. The models may be formulated based on past market data which may not be indicative of future price movements. Models also may have hidden biases or exposure to broad structural or sentiment shifts. In the event actual events fail to conform to the assumptions underlying the models, losses could be incurred.
- **Recent Market Conditions.** Since the financial crisis that started in 2008, the U.S. and many foreign economies continue to experience its after-effects, which have resulted, and may continue to result, in an unusually high degree of volatility in the financial markets, both domestic and foreign. Reduced liquidity in fixed income and credit markets may negatively affect many issuers worldwide, which may have an adverse effect on Client Accounts.

In addition, global economies and financial markets are becoming increasingly interconnected, which increases the possibilities that conditions in one country or region might adversely impact issuers in a different country or region. In the summer of 2015, stock markets in China suffered a significant downturn, which is expected to slow economic growth in China and negatively affect the country's major trading partners. State involvement in the Chinese economy and stock markets is such that it may be difficult to predict or gauge the extent of the slowdown.

In response to the crisis, the U.S. and other governments and the Federal Reserve and certain foreign central banks have taken steps to support financial markets. In some countries where economic conditions are recovering, they are nevertheless perceived as still fragile. Withdrawal of government support, failure of efforts in response to the crisis, or investor perception that such efforts are not succeeding, could adversely impact the value and liquidity of certain securities. The severity or duration of adverse economic conditions may also be affected by policy changes made by governments or quasi-governmental organizations, including changes in tax laws. The impact of new financial

regulation legislation on the markets and the practical implications for market participants may not be fully known for some time. Regulatory changes are causing some financial services companies to exit long-standing lines of business, resulting in dislocations for other market participants. In addition, political events within the U.S. and abroad, such as the U.S. government's recent inability to agree on a long-term budget and deficit reduction plan, threats not to increase the federal government's debt limit, may affect investor and consumer confidence and may adversely impact financial markets and the broader economy, perhaps suddenly and to a significant degree. High public debt in a number of countries creates ongoing systemic and market risks and policymaking uncertainty. The election in Greece of a populist government intent on changing the terms of the nation's austerity and bail-out plan has brought to the forefront tension within the European economic structure that, if not handled skillfully, could result in economic disruption in the eurozone, which could occur abruptly.

These events and the potential for continuing market turbulence may have an adverse effect on Client Accounts. Because the impact on the markets has been widespread, it may be difficult to identify both risks and opportunities using past models of the interplay of market forces, or to predict the duration of these market conditions. Changes in market conditions will not have the same impact on all types of securities. Interest rates have been unusually low in recent years in the U.S. and abroad. In December 2015, the Federal Reserve raised the target for the federal funds rate to 0.25% to 0.50%. However, it is difficult to predict the impact of this and any rate increase on various markets. For example, because investors may buy securities or other investments with borrowed money, an increase in interest rates may cause a decline in the markets for those investments. In addition, there is a risk that the prices of goods and services in the U.S. and many foreign economies may decline over time, known as deflation (the opposite of inflation). Deflation may have an adverse effect on stock prices and creditworthiness and may make defaults on debt more likely. If a country's economy slips into a deflationary pattern, it could last for a prolonged period and may be difficult to reverse.

- **Recent Regulatory Events and Government Intervention.** The situation in the financial markets has resulted in increased regulation, and the need of many financial institutions for government help has given lawmakers and regulators increased leverage. The Dodd-Frank Act, among other things, granted regulatory authorities broad rulemaking and enforcement authority to implement and oversee various provisions of the Dodd-Frank Act, including comprehensive regulation of the over-the-counter derivatives and consumer credit markets. The Dodd-Frank Act covers a broad range of topics, including (among many others) a reorganization of federal financial regulators; a process intended to improve financial systemic stability and the resolution of potentially insolvent financial firms; new rules for derivatives trading; the creation of a consumer financial protection watchdog; the registration and additional regulation of hedge and private equity fund managers; and new federal requirements for residential mortgage loans. The U.S. Government or its agencies may also acquire distressed assets from financial institutions and acquire ownership interests in such institutions. The implications of government ownership and disposition of these assets are unclear and such a program may have positive or negative effects on liquidity, valuations and

performance of Client Accounts. Instruments in which Client Accounts may invest, or the issuers of such instruments, may be affected in ways that are unforeseeable. Accordingly, the consequences of the extensive changes to the regulation of various markets and market participants contemplated by the Dodd-Frank Act and increased regulation arising out of the recent financial crisis are difficult to predict or measure with certainty.

Client Accounts are also subject to the risk of local, national and global economic disturbances based on unknown conditions in the market in which an account invests. In the event of such disturbances, issuers of securities held by a Client Account may suffer significant declines in the value of these assets and even terminate operations. Such issuers also may receive government assistance accompanied by increased control and restrictions or other government intervention. It is not clear whether the U.S. Government will intervene in response to such disturbances and effect of any such intervention is unpredictable.

- **Redemption Risk.** A Client Account may experience periods of heavy redemptions that could cause a Client Account to sell assets at inopportune times or at a loss or depressed value. Redemption risk is greater to the extent that one or more investors or intermediaries control a large percentage of investments in a Client Account, have short investment horizons, or have unpredictable cash flow needs. In addition, redemption risk is heightened during periods of declining or illiquid markets. Heavy redemptions, whether by a few large investors or many smaller investors, could hurt a Client Account's performance. Since the financial crisis that started in 2008, the Federal Reserve has attempted to stabilize the economy and support the economic recovery by keeping the federal funds rate (the interest rate at which depository institutions lend reserve balances to other depository institutions overnight) at or near zero percent and in December 2015 raised the target for the federal funds rate to 0.25% to 0.50%. In addition, as part of its monetary stimulus program known as quantitative easing, the Federal Reserve has purchased on the open market large quantities of securities issued or guaranteed by the U.S. government, its agencies or instrumentalities. As the Federal Reserve "tapers" or reduces the amount of securities it purchases pursuant to quantitative easing, or if the Federal Reserve raises the federal funds rate, there is a risk that interest rates will rise. A general rise in interest rates has the potential to cause investors to move out of fixed income securities on a large scale, which may increase redemptions from mutual funds that hold large amounts of fixed income securities. Such a move, coupled with a reduction in the ability or willingness of dealers and other institutional investors to buy or hold fixed income securities may result in decreased liquidity and increased volatility in the fixed income markets.
- **Reliance on Corporate Management and Financial Reporting.** NBIA will select investments for Client Accounts in part on the basis of information and data filed by issuers of securities with various government regulators, publicly available or made directly available to NBIA by such issuers or third parties. Although NBIA will evaluate all such information and data and seek independent corroboration when it considers it appropriate and reasonably available, NBIA will not always be in a position to confirm the completeness, genuineness or accuracy of such information and data. NBIA is dependent

upon the integrity of the management of such issuers and of such third parties as well as the financial reporting process in general. Client Accounts may incur material losses as a result of corporate mismanagement, fraud and accounting irregularities relating to issuers of securities or other assets they hold.

- **Repurchase Agreements and Reverse Repurchase Agreements.** In a repurchase agreement, the Client Account purchases securities from a bank or securities dealer that agrees to repurchase the securities from the Client Account at a higher price on demand or on a designated future date. Repurchase agreements generally are for a short period of time, usually less than a week. Costs, delays or losses could result if the selling party to a repurchase agreement becomes bankrupt or otherwise defaults.

A reverse repurchase agreement involves the sale of a security, with an agreement to repurchase the same or substantially similar securities at an agreed upon price and date. As such, they are a form of financing and leverage. Whether such a transaction produces a gain for the Client Account depends upon the cost of the agreement and the income and gains on the securities purchased with the proceeds received from the sale of the repurchased security. If the income and gain on the securities purchased fail to exceed the costs, or if the Client Account incurs a loss on such securities, the Client Account will incur a loss on the leveraged transactions. As a leveraging technique, reverse repurchase agreements may increase a Client Account's yield; however, such transactions also increase the Client Account's risks and may result in a loss of principal.

- **Risks of Investing in Affiliated Underlying Funds.** A Client Account may invest in affiliated underlying funds. The investment performance of such a Client Account is directly related to the investment performance of those affiliated underlying funds and to the allocation of its assets among those affiliated underlying funds. When a Client Account invests in affiliated underlying funds it is exposed to the same principal risks as the affiliated underlying funds as well as to the affiliated underlying funds' expenses in direct proportion to the allocation of its assets to the affiliated underlying funds, which could result in the duplication of certain fees, including, where applicable, management and administration fees. In instances where NBIA is the investment manager for both the Client Account and the affiliated underlying funds, it may be deemed to have a conflict of interest in determining the allocation of the Client Account to the affiliated underlying funds.
- **Sector Risk.** To the extent a Client Account invests more heavily in particular sectors, industries, or sub-sectors of the market, its performance will be especially sensitive to developments that significantly affect those sectors, industries, or sub-sectors. An individual sector, industry, or sub-sector of the market may be more volatile, and may perform differently, than the broader market. The several industries that constitute a sector may all react in the same way to economic, political or regulatory events. A Client Account's performance could be affected if the sectors, industries, or sub-sectors do not perform as expected. Alternatively, the lack of exposure to one or more sectors or industries may adversely affect performance.

- **Short Sale Risk.** Short sales are subject to special risks. A short sale involves the sale by a Client Account of a security that it does not own with the hope of purchasing the same security at a later date at a lower price. An account may also enter into a short position through a forward commitment or a short derivative position through a futures contract or swap agreement. If the price of the security or derivative has increased during this time, then the account will incur a loss equal to the increase in price from the time that the short sale was entered into plus any premiums and interest paid to the third party. Therefore, short sales involve the risk that losses may be exaggerated, potentially losing more money than the actual cost of the investment. Also, there is the risk that the third party to the short sale may fail to honor its contract terms, causing a loss to the account.
- **Social Investing Risk.** A strategy managed in accordance with social policy guidelines could underperform similar accounts that do not have a social policy. Among the reasons for this are: the social policy could cause the portfolio manager to sell or avoid stocks that subsequently perform well; undervalued stocks that do not meet the social criteria could outperform those that do; or economic or political changes could make certain companies less attractive for investment.
- **Swaps.** NBIA may utilize swaps where it believes it will further the objectives of a Client Account that permits such instruments. Swap agreements historically have been OTC, two-party contracts entered into primarily by institutional investors for periods typically 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. There are various types of swaps, including but not limited to, total return swaps, credit default swaps and interest rate swaps; all of these and other swaps are derivatives and as such, each is subject to the general risks relating to derivatives described herein.

The Dodd–Frank Act has created an evolving regulatory framework for trading swaps in the United States. Standardized swaps will be required to be executed on or subject to the rules of designated contract markets or swap execution facilities and cleared by a central counterparty, a derivatives clearing organization. Central clearing is intended to reduce the risk of default by the counterparty. However, central clearing exposes Client Accounts to the clearing organization and clearing broker risks referenced above. Central clearing also may increase the costs of swap transactions by requiring the posting of larger amounts of initial and variation margin than are required in OTC transactions. There may also be risks introduced of a possible default by the clearing organization or by a clearing member or futures commission merchant through which a swap is submitted for clearing. The regulations to implement the Dodd-Frank Act are still being developed so there may be further changes to the rules governing swap transactions.

*Interest Rate Swaps, Mortgage Swaps, and Interest Rate “Caps,” “Floors,” and “Collars.”* In a typical interest rate swap agreement, one party agrees to make regular payments equal to a floating rate on a specified amount in exchange for payments equal to a fixed rate, or a different floating rate, on the same amount for a specified period. Mortgage swap

agreements are similar to interest rate swap agreements, except the notional principal amount is tied to a reference pool of mortgages. In an interest rate cap or floor, one party agrees, usually in return for a fee, to make payments under particular circumstances. For example, the purchaser of an interest rate cap has the right to receive payments to the extent a specified interest rate exceeds an agreed level; the purchaser of an interest rate floor has the right to receive payments to the extent a specified interest rate falls below an agreed level. An interest rate collar entitles the purchaser to receive payments to the extent a specified interest rate falls outside an agreed range.

Among other techniques, a Client Account may use interest rate swaps to offset declines in the value of fixed income securities held in the Client Account. In such an instance, NBIA may agree with a counterparty to pay a fixed rate (multiplied by a notional amount) and the counterparty to pay a floating rate multiplied by the same notional amount. If long-term interest rates rise, resulting in a diminution in the value of the Client Account's portfolio, the Client Account would receive payments under the swap that would offset, in whole or in part, such diminution in value; if interest rates fall, the Client Account would likely lose money on the swap transaction. NBIA may also enter into constant maturity swaps, which are a variation of the typical interest rate swap. Constant maturity swaps are exposed to changes in long-term interest rate movements.

*Total Return Swaps.* NBIA may enter into total return swaps ("TRS") to obtain exposure to a security or market without owning or taking physical custody of such security or market. Thus, a Client Account may be either a total return receiver or a total return payer. Generally, the total return payer sells to the total return receiver an amount equal to all cash flows and price appreciation on a defined security or asset payable at periodic times during the swap term (i.e., credit risk) in return for a periodic payment from the total return receiver based on a designated index (e.g., the London Interbank Offered Rate, known as LIBOR) and spread, plus the amount of any price depreciation on the reference security or asset. The total return payer does not need to own the underlying security or asset to enter into a total return swap. The final payment at the end of the swap term includes final settlement of the current market price of the underlying reference security or asset, and payment by the applicable party for any appreciation or depreciation in value. Usually, collateral must be posted by the total return receiver to secure the periodic interest-based and market price depreciation payments depending on the credit quality of the underlying reference security and creditworthiness of the total return receiver, and the collateral amount is marked-to-market daily equal to the market price of the underlying reference security or asset between periodic payment dates.

TRS agreements may be used to obtain exposure to a security or market without owning or taking physical custody of such security or market. TRS may effectively add leverage to a Client Account because, in addition to the net assets of the Client Account, the Client Account would be subject to investment exposure on the notional amount of the swap. If a Client Account is the total return receiver in a TRS, then the credit risk for an underlying asset is transferred to the Client Account in exchange for its receipt of the return (appreciation) on that asset. If a Client Account is the total return payer, it is hedging the

downside risk of an underlying asset but it is obligated to pay the amount of any appreciation on that asset.

*Contracts for Differences.* Certain non-U.S. Client Accounts may enter into contracts for differences. In these transactions, the Client Account and another party assume price positions in reference to an underlying security or other financial instrument. The “difference” is determined by comparing each party’s original position with the market price of such securities or financial instruments at a pre-determined closing date. Each party will then either receive or pay the difference, depending on the success of its investment.

Financial markets for the securities or instruments that form the subject of a contract for differences can fluctuate significantly. Parties to a contract for differences assume the risk that the markets for the underlying securities will move in a direction unfavorable to their original positions. In addition, these contracts often involve considerable economic leverage. As a result, such contracts can lead to disproportionately large losses as well as gains and relatively small market movements can have large impacts on the value of the investment.

*Credit Default Swaps.* In a credit default swap, the credit default protection buyer makes periodic payments, known as premiums, to the credit default protection seller. In return, the credit default protection seller will make a payment to the credit default protection buyer upon the occurrence of a specified credit event. A credit default swap can refer to a single issuer or asset, a basket of issuers or assets or index of assets, each known as the reference entity or underlying asset. A Client Account may act as either the buyer or the seller of a credit default swap. A Client Account may buy or sell credit default protection on a basket of issuers or assets, even if a number of the underlying assets referenced in the basket are lower-quality debt securities. In an unhedged credit default swap, a Client Account buys credit default protection on a single issuer or asset, a basket of issuers or assets or index of assets without owning the underlying asset or debt issued by the reference entity. Credit default swaps involve greater and different risks than investing directly in the referenced asset, because, in addition to market risk, credit default swaps include liquidity, counterparty and operational risk.

Credit default swaps allow Client Accounts to acquire or reduce credit exposure to a particular issuer, asset or basket of assets. If a swap agreement calls for payments by a Client Account, the Client Account must be prepared to make such payments when due. If a Client Account is the credit default protection seller, the Client Account will experience a loss if a credit event occurs and the credit of the reference entity or underlying asset has deteriorated. If a Client Account is the credit default protection buyer, the Client Account will be required to pay premiums to the credit default protection seller. In the case of a physically settled credit default swap in which a Client Account is the protection seller, the Client Account must be prepared to pay par for and take possession of debt of a defaulted issuer delivered to the Client Account by the credit default protection buyer. Any loss would be offset by the premium payments the Client Account receives as the seller of credit default protection. If a Client Account sells (writes) a credit default swap, it

currently intends to segregate the full notional value of the swap, except if the Client Account sells a credit default swap on an index with certain characteristics (i.e., on a broad based index and cash settled) where NBIA believes segregating only the amount out of the money more appropriately represents the exposure of the Client Account.

*Credit Linked Notes.* A Client Account may invest in structured instruments known as credit linked securities or credit linked notes (“CLNs”). CLNs are typically issued by a limited purpose trust or other vehicle (the “CLN trust”) that, in turn, invests in a derivative or basket of derivatives instruments, such as credit default swaps, interest rate swaps or other securities, in order to provide exposure to certain high yield, sovereign debt, emerging markets, or other fixed income markets. Generally, investments in CLNs represent the right to receive periodic income payments (in the form of distributions) and payment of principal at the end of the term of the CLN. However, these payments are conditioned on the CLN trust’s receipt of payments from, and the CLN trust’s potential obligations, to the counterparties to the derivative instruments and other securities in which the CLN trust invests. For example, the CLN trust may sell one or more credit default swaps, under which the CLN trust would receive a stream of payments over the term of the swap agreements provided that no event of default has occurred with respect to the referenced debt obligation upon which the swap is based. If a default were to occur, the stream of payments may stop and the CLN trust would be obligated to pay the counterparty the par (or other agreed upon value) of the referenced debt obligation. This, in turn, would reduce the amount of income and principal that a Client Account would receive as an investor in the CLN trust.

A Client Account may enter in CLNs to gain access to sovereign debt and securities in emerging markets, particularly in markets where the Client Account is not able to purchase securities directly due to domicile restrictions or tax restrictions or tariffs. In such an instance, the issuer of the CLN may purchase the reference security directly or gain exposure through a credit default swap or other derivative. Investments in CLNs are subject to the risks associated with the underlying reference obligations and derivative instruments, including, among others, credit risk, default risk, counterparty risk, interest rate risk, leverage risk and management risk.

*Options on Swaps (Swaptions).* A swaption is an option to enter into a swap agreement. The purchaser of a swaption pays a premium for the option and obtains the right, but not the obligation, to enter into an underlying swap on agreed-upon terms. The seller of a swaption, in exchange for the premium, becomes obligated (if the option is exercised) to enter into an underlying swap on agreed-upon terms. Depending on the terms of the particular option agreement, a Client Account generally will incur a greater degree of risk when it writes a swaption than when it purchases a swaption. When a Client Account purchases a swaption, it risks losing only the amount of the premium it has paid should it decide to let the option expire unexercised.

- **Systemic Risk General.** Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other



institutions. This is sometimes referred to as a “systemic risk” and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which NBIA interacts on a daily basis.

- **Systemic Risk – European Sovereign Debt Crisis.** The recent European sovereign debt crisis has raised questions concerning financial stability of certain European Union and Eurozone members, including the continued viability of the eurozone’s single currency and increased the risk of a possible failure of the euro or the exit of one or more countries from the eurozone. Europe is experiencing increasing challenges as a result of certain member-countries’ financial difficulties and the uncertainty around their fiscal and monetary policy direction. These developments may exacerbate the risks resulting from a Client Account’s exposure to euro-related currency fluctuations. Investments that are denominated in a foreign currency, such as euros, will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Volatility in the currency markets may result in the a Client Account’s investment portfolio incurring higher costs and may adversely impact the profitability and cash flows from operations of its portfolio companies. As a result, a decline in the value of the euro may reduce a Client Account’s returns from exits of euro-dominated investments. The potential adverse fluctuations in foreign currency exchange rates and the costs associated with conversion of investment principal and income from one currency into another may adversely impact the a Client Account’s returns. Although it is difficult to forecast all of the consequences of a failure of the euro or the exit of one or more countries from the Eurozone, one possible outcome is a rise in interest rates on the sovereign debt of one or more troubled European nations, which could lead to a failure or series of failures in performance of sovereign debt. Given the high degree of exposure to European sovereign debt by European financial institutions, this may increase the risk of a failure by one or more European financial institutions. Any such failure could have a material adverse effect on one or more of a Client Account’s portfolio investments or the Client Account itself. A Client Account may have exposure, directly or indirectly (including through portfolio investments) to counterparties that have significant exposure to, or themselves are, European financial institutions.
- **Tax Risk.** Tax laws and regulations applicable to a Client Account are subject to change, and unanticipated tax liabilities could be incurred by investors as a result of such changes. A strategy’s U.S. federal income tax liability with respect to income and gains on an investment may exceed its overall return for such a year. Further, a strategy may face limitations with respect to its ability to use its allocable share of deductions and losses from its investments in certain securities. The tax treatment of some strategies is uncertain. Investors should consult their own tax advisors to determine the potential tax-related consequences of investing in a Client Account.
- **Terrorism Risk.** Terrorist attacks may lead to increased short-term market volatility and may have long-term effects on United States and world economies and markets. Terrorist attacks also may adversely impact interest rates, auctions, secondary trading, ratings, credit risk, inflation and other factors relating to a Client Account’s securities and adversely affect such account’s service providers and operations.

- **Valuation Risk.** The price at which a Client Account could sell any particular investment may differ from the Client Account's valuation of the investment. Such differences could be significant, particularly for illiquid securities and securities that trade in relatively thin markets or markets that experience extreme volatility. If market or other conditions make it difficult to value some investments, the Client Account may value these investments using more subjective methods, such as fair value methodologies. For Client Accounts that generate a daily net asset value, such as NB Registered Funds, investors who purchase or redeem shares on days when the NB Registered Fund is holding fair-valued securities may receive fewer or more shares, or lower or higher redemption proceeds, than they would have received if the NB Registered Fund had not fair-valued the securities or had used a different valuation methodology. The value of foreign securities, certain futures and fixed income securities, and currencies, as applicable, may be materially affected by events after the close of the markets on which they are traded but before the Client Account determines its net asset value. A Client Account's ability to value its investments in an accurate and timely manner may be impacted by technological issues or errors by third party service providers, such as pricing services or accounting agents.
- **When-Issued and Delayed Delivery Transactions Risk.** When-issued and delayed-delivery transactions occur when securities are purchased or sold by the strategy with payment and delivery taking place in the future to secure an advantageous yield or price. These transactions may expose the strategy to counterparty risk of default as well as the risk that securities may experience fluctuations in value prior to their actual delivery. Purchasing securities on a when-issued or delayed-delivery basis involves the additional risk that the price available in the market when the delivery takes place may not be as favorable as (or the yield may be more favorable than) that obtained in the transaction.

### **Additional Risks for Fixed Income Strategies**

The following is a summary of material risks specific to NBIA fixed income strategies that should be considered along with the general risks listed above. These risks may also apply to alternative and Multi-Asset Mandate strategies that incorporate fixed income strategies. Please note that certain risks may not apply to all NBIA fixed income strategies or apply to a material degree.

- **Asset-Backed Securities.** Asset-backed securities represent direct or indirect participations in, or are secured by and payable from, pools of assets such as, among other things, motor vehicle installment sales contracts, installment loan contracts, leases of various types of real and personal property, and receivables from revolving credit (credit card) agreements, or a combination of the foregoing. These assets are securitized through the use of trusts and special purpose vehicles. Credit enhancements, such as various forms of cash collateral accounts or letters of credit, may support payments of principal and interest on asset-backed securities. Although these securities may be supported by letters of credit or other credit enhancements, payment of interest and principal ultimately depends upon individuals or other borrowers paying the underlying loans, which may be affected adversely by general downturns in the economy. Asset-backed

securities are subject to the same risk of prepayment associated with mortgage-backed securities.

- **Bank Loan Agents.** Bank loans are typically administered by a bank, insurance company, finance company or other financial institution (the “**agent**”) for a lending syndicate of financial institutions. In a typical bank loan, the agent administers the terms of the loan agreement and is responsible for the collection of principal and interest and fee payments from the borrower and the apportionment of these payments to all lenders that are parties to the loan agreement. In addition, an institution (which may be the agent) may hold collateral on behalf of the lenders. Typically, under loan agreements, the agent is given broad authority in monitoring the borrower’s performance and is obligated to use the same care it would use in the management of its own property. In asserting rights against a borrower, the Client Account normally would be dependent on the willingness of the lead bank to assert these rights, or upon a vote of the lenders to authorize the action.

If an agent becomes insolvent, or has a receiver, conservator, or similar official appointed for it by the appropriate bank or other regulatory authority, or becomes a debtor in a bankruptcy proceeding, the agent’s appointment may be terminated and a successor agent may be appointed. If an appropriate regulator or court determines that assets held by the agent for the benefit of the purchasers of bank loans are subject to the claims of the agent’s general or secured creditors, the purchasers might incur certain costs and delays in realizing payment on a bank loan or suffer a loss of principal or interest.

- **Call Risk.** When interest rates are low, issuers will often repay the obligation underlying a “callable security” earlier than expected, thereby affecting the investment’s average life and perhaps its yield. Furthermore, the Client Account will likely have to reinvest the proceeds from the called security at the current, lower rates.
- **Collateralized Loan Obligations (“CLOs”) and Collateralized Debt Obligations (“CDOs”).** Certain Client Accounts invest in CLOs and CDOs. CLOs and CDOs issue classes or “tranches” that vary in risk and yield. The value of CLOs and CDOs generally will fluctuate with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets of the related CLO or CDO, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Client Accounts that invest in CLOs and CDOs may experience substantial losses due to actual defaults, decrease of market value due to collateral defaults and disappearance of subordinate tranches, market anticipation of defaults, and investor aversion to CLO and CDO securities as a class. The risks of investing in CLOs and CDOs depend largely on the type of the underlying collateral. Holders of CLOs or CDOs rely on distributions on the underlying collateral or proceeds thereof for payment in respect of the applicable CLO or CDO. If distributions on the underlying collateral are insufficient to make payments on the CLOs or CDOs, generally, no other assets are available for payment of the deficiency, and following realization of the CLOs or CDOs, the obligations of the issuer to pay such deficiency will generally be extinguished.

- **Credit Risk.** A Client Account could lose money if the issuer or guarantor of a security (including a security purchased with securities lending collateral), or the counterparty to a derivatives contract, repurchase agreement or a loan of portfolio securities, is unable or unwilling, or is perceived (whether by market participants, rating agencies, pricing services or otherwise) as unable or unwilling, to honor its obligations. The downgrade of the credit of a security or of the issuer of the security held by the account may lessen its value. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings.
- **Distressed Securities.** A Client Account where the strategy invests in distressed securities may be exposed to greater risks than if the strategy invested only in higher-grade securities. Distressed securities are those issued by companies that are, or might be, involved in reorganizations or financial restructurings, either out of court or in bankruptcy. As a result, it is often difficult to obtain information as to the true condition of financially distressed securities. In certain periods, there may be little or no liquidity in the markets for distressed securities or instruments. The prices of such securities may be subject to periods of abrupt and erratic market movements and above-average price volatility and it may be more difficult to value such securities. The account may lose a substantial portion of all of its investment in distressed securities or it may be required to accept cash or securities with a value less than the account's original investment.
- **Fixed-Income Securities.** Fixed-income securities include traditional debt securities issued by corporations, such as bonds and debentures and debt securities that are convertible into common stock and interests. The market value of fixed-income securities is sensitive to changes in interest rates. In general, when interest rates rise, the fixed-income security's market value declines and when interest rates decline, its value rises. Normally, the longer the remaining maturity of a security, the greater the effect of interest rate changes on the market value of the security. In addition, changes in the ability of an issuer to make payments of interest and principal and in the market's perception of an issuer's creditworthiness affect the market value of fixed-income securities of that issuer.

Fixed-income securities may also be subject to yield curve risk. When the yield curve shifts, the price of a bond which was initially priced based on the initial yield curve will change. Yield curve risk is reduced by keeping the duration of the bond portfolio relatively short.

Additionally, fixed-income securities are subject to inflation risk, liquidity risk and reinvestment risk. Inflation risk is the risk that inflation will erode the purchasing power of the cash flows generated by debt securities. Fixed-rate debt securities are more susceptible to this risk than floating rate debt securities. Liquidity risk is the risk that certain fixed income securities may be difficult to sell at the time and at the price the account would like, which may cause the account to hold these securities for longer than it would like or to forego other investment opportunities. Reinvestment risk is the risk that when interest income from debt securities is reinvested, interest rates will have

declined so that income must be reinvested at a lower interest rate. A decline in income could affect an account's overall return.

- **Foreclosure Process in Distressed Debt and Mortgage Loans.** With respect to Client Accounts that invest in distressed debt, NBIA generally concentrates on acquiring debt that is secured by assets that NBIA believes have a value adequate to ensure payment of such debt. However, if it becomes necessary to foreclose on the assets underlying a loan acquired by a Client Account, significant uncertainty may arise as to the outcome of the proceeding. Bankruptcy judges have broad discretion as to how they deal with the claims of different creditors, and the claims of secured creditors may not — despite their legal entitlement — always be respected as a matter of policy. These Client Accounts may make investments in restructurings and workouts that involve companies that are experiencing, or are expected to experience, severe financial difficulties, which may never be overcome and may lead to uncertain outcomes. The Bankruptcy Courts have broad discretion to control the terms of a reorganization, and political factors may be of significant importance in the more high profile bankruptcies.

The foreclosure process with respect to the residential mortgage loan modification strategy may result in procedural delays and uncertainties in many jurisdictions. Federal, state and local laws and ordinances have considered or are considering, legislation or regulations that would hinder or delay foreclosure proceedings against defaulted mortgage borrowers, or limit a residential mortgage loan servicer's ability to take actions that are necessary or appropriate to preserve mortgage loan value. Judicial decisions also have imposed significant requirements and burdens on lenders that could result in delays and further expense. The inability to foreclose on defaulted borrowers when or as anticipated, or an increase of expenses for foreclosure proceedings, could result in increased costs, reduced collections and lower returns. In addition, any limitations on foreclosure are likely to cause delayed or reduced collections from mortgagors and generally increased servicing costs.

- **Interest Rate Risk.** Interest rates may rise and reduce the market value of an investment. Long-term fixed income securities such as bonds, subject their owners to the greatest amount of interest rate risk. Short term securities, such as Treasury bills tend to be less influenced by interest rate movements.
- **Junior Loans.** NBIA's loan strategy may utilize secured and unsecured subordinated loans and second lien loans (collectively, "**Junior Loans**"). Secured second lien loans are generally second in line in terms of repayment priority. A secured second lien loan may have a claim on the same collateral pool as the first lien or may be secured by a separate set of assets, such as property, plants, or equipment. Second lien loans generally give investors priority over general unsecured creditors in the event of an asset sale.

Junior Loans are subject to the same general risks inherent to any loan investment, including credit risk, market and liquidity risk, and interest rate risk. Due to their lower place in the borrower's capital structure, Junior Loans involve a higher degree of overall risk than senior loans of the same borrower.

- **Lender Liability Risk.** In recent years, a number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively referred to as “lender liability.” Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Client Accounts that invest in loans, particularly distressed debt, may become subject to allegations of lender liability and may be subject to significant liability if a claim of this type arises.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender: (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower; (ii) engages in other inequitable conduct to the detriment of such other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lender to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.” If a Client Account that invests in loans became subject to equitable subordination, it could result in substantial losses for the account.

- **Loan Interests.** Loans generally are subject to restrictions on transfer, and NBIA may be unable to sell loans at a time when it may otherwise be desirable to do so or may be able to sell them only at prices that are less than their fair market value. NBIA may find it difficult to establish a fair value for loans held by the Client Account. Loans normally are not registered with the SEC or any state securities commission or listed on any securities exchange. As a result, the amount of public information available about a specific loan historically has been less extensive than if the loan were registered or exchange traded. Bank loan interests may also not be rated by independent rating agencies. Therefore, investments in a particular loan may depend almost exclusively on the credit analysis of the borrower performed by NBIA. Also, there is a risk that the value of the collateral securing a loan (if any) may decline after the Client Account invests or that the collateral (if any) may not be sufficient to cover the amount owed to the Client Account. NBIA may invest in unsecured bank loans for certain Client Accounts. Loans are also subject to the risk of a borrower defaulting, which may limit or delay the account’s access to the collateral under bankruptcy or other insolvency laws. If the borrower defaults on a unsecured bank loan, the relevant Client Account will be a general creditor and will not have rights to any specific assets of the borrower. Additionally, if the account acquires a participation interest in a loan, it may not be able to control the exercise of any remedies that the lender would have under the loan and likely would not have any rights against the borrower directly. Loans purchased by an account may represent interests in loans made to finance highly leveraged corporate acquisitions, known as “leveraged buy-out” transactions, leveraged recapitalization loans and other types of acquisition financing. The highly leveraged capital structure of the borrowers in such transactions may make such loans especially vulnerable to adverse changes in economic or market conditions. In addition, loan interests may not be considered “securities,” and purchasers, such as a

Client Account, therefore may not be entitled to rely on the strong anti-fraud protections of the federal securities laws.

- **Lower-Rated Debt Securities.** Fixed income securities receiving below investment grade ratings may have speculative characteristics, and, compared to higher-grade securities, may have a weakened capacity to make principal and interest payments in adverse economic conditions or other circumstances. High-yield, high-risk, and lower-rated securities are subject to additional risk factors, such as increased possibility of default, decreased liquidity and fluctuations in value due to public perception of the issuer of such securities. In addition, both individual high-yield securities and the entire high-yield bond market can experience sharp price swings due to a variety of factors, including changes in economic forecasts, stock market activity, large sustained sales by major investors or a high profile default.
- **Mortgage-Backed Securities.** Mortgage-backed securities represent “pools” of mortgages and other assets, including consumer loans or receivables held in trust. Investment in mortgage-backed securities poses several risks, including market and credit risk. Generally, rising interest rates tend to extend the duration of fixed rate mortgage-backed securities, making them more sensitive to interest rate changes. When interest rates decline, borrowers may pay off their mortgages sooner than expected. This can reduce the return in a Client Account because the account may have to reinvest those funds at lower prevailing interest rates. Market risk reflects the risk that the price of a security may fluctuate over time. Credit risk reflects the risk that the strategy may not receive all or part of its principal or posted collateral, if any because the issuer or credit enhancer has defaulted on its obligations. In addition to these risks, the recent events related to the United States housing market continue to have a negative impact on the value of some mortgage-backed securities and result in limited liquidity in the secondary market for mortgage-related securities.

NBIA may sell to-be-announced mortgage-backed securities (“**TBA**s”) it has committed to purchase on behalf of Client Accounts before those securities are delivered to the account on the settlement date. The account may also enter into a TBA agreement and “roll over” such agreement prior to the settlement date by selling the obligation to purchase the pools set forth in the agreement and entering into a new TBA agreement for future delivery of mortgage-backed securities. TBA mortgage-backed securities may increase prepayment risks because the underlying mortgages may be less favorable than anticipated by NBIA.

- **Mortgage Loan Modification Risk.** Modification of troubled loans and real estate acquired with loan pools involves substantial risks including declines in the value of residential real estate, general economic conditions that contribute to declining home prices, deterioration of a borrower’s ability to keep payments current on a modified loan or to refinance a loan, increases in the cost of property maintenance, taxes and insurance, natural disasters and casualty losses, borrower bankruptcies, moratoriums on foreclosures, zoning changes, incomplete or defective loan documentation, and fluctuations in interest rates. In addition, active federal and state government scrutiny

and enforcement actions against mortgage loan holders and new legislation could adversely affect the ability to foreclose on a timely basis and impose conditions, restrictions and additional costs on loan modifications. The success of a loan modification program depends significantly on the ability of third party, unaffiliated servicers to follow modification guidelines, negotiate acceptable workout terms, provide delinquency notices, initiate foreclosure proceedings, monitor re-performing loans and liquidate real estate. Some servicing agreements with third parties provide for incentive compensation as a percentage of cash flows or profits from a modified loan. These arrangements could lead to more aggressive and riskier servicing practices by the servicer that adversely affect the results of a loan modification and may lead to legal or regulatory actions.

- **Municipal Securities.** Municipal securities rely on the creditworthiness or revenue production of their issuers. Municipal securities may be difficult to obtain because of limited supply, which may increase the cost of such securities and effectively reduce a strategy's yield. Typically, less information is available about a municipal issuer than is available for other types of securities issuers. Additionally, because interest income on municipal obligations is normally not subject to regular federal income taxation, the attractiveness of municipal obligations in relation to other investment alternatives is affected by changes in federal income tax rates applicable to, or the continuing tax-exempt status of, such interest income. In addition, a Client Account that concentrates its investments in a particular state's municipal bonds may be affected significantly by economic, regulatory or political developments affecting the ability of that state's issuers to pay interest or repay principal. Any provisions of the state's constitution and statutes which limit the taxing and spending authority of the state governmental entities may impair the ability of the state's issuers to pay principal or interest on their obligations. Each state's economy may be sensitive to economic problems affecting particular industries. Future state or local political and economic developments, constitutional amendments, legislative measures, executive orders, administrative regulations, litigation and voter initiatives could have an adverse effect on the debt obligations of the state's issuers.
- **Physical Assets.** From time to time, particularly with respect to the distressed debt and residential loan modification strategies, a Client Account may be involved in transactions which result in the Client Account owning physical assets (typically collateral for secured loans acquired by the Client Account) directly. In such cases, the Client Account will be subject to all the risks inherent in owning physical assets such as real estate. These risks may include, without limitation: general and local economic and social conditions; fluctuations in asset values; over-concentration in the physical asset, declines in the financial resources of the prospective purchasers or lessees for such assets; a drop in demand or an increase in the competition for such assets; storage, insurance and other maintenance costs; destruction, spoilage, impairment, damage, depreciation and obsolescence; changes in tax, environmental and other applicable laws and regulations, increasing the costs or restricting the use of such assets; environmental protection penalties and liabilities (including those attributable to the conduct of prior owners of such assets); increases in interest rates and, accordingly, of the cost of inventory as well



as of the availability of financing in order to maintain such assets or to finance purchases of such assets; a shortage of financing (irrespective of interest rates); or increases in operating expenses which could adversely affect the value of such assets to a potential purchaser or lessee. There can be no assurance of the profitable ownership or operation of any physical asset. The cost of operating or maintaining an asset may materially exceed the income or sale proceeds generated by such asset, while such asset itself — as opposed to the loans formerly secured by such asset — may not generate any cash flow.

- **Prepayment and Extension Risk.** A Client Account's performance could be affected if borrowers pay back principal on certain debt securities, such as mortgage- or asset-backed securities, before or after the market anticipates such payments, shortening or lengthening their duration. Due to a decline in interest rates or an excess in cash flow, a debt security might be called or otherwise converted, prepaid or redeemed before maturity. As a result, a Client Account may have to reinvest the proceeds in an investment offering a lower yield, may not benefit from any increase in value that might otherwise result from declining interest rates and may lose any premium it paid to acquire the security. Higher interest rates generally result in slower payoffs, which effectively increase duration, heighten interest rate risk, and increase the potential for price declines. The prices of variable and floating rate securities (including loans) can be less sensitive to prepayment risk.
- **Rating Agency Risk.** NBIA may purchase securities for Client Accounts rated by a rating agency. NBIA may use these ratings to determine whether to purchase, sell or hold a security. Ratings are not absolute standards of quality. Securities with the same maturity, interest rate and rating may have different market prices. Credit ratings attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value. In addition, rating agencies may fail to make timely changes in credit ratings. An issuer's current financial condition may be better or worse than a rating indicates.
- **Residential Mortgage and Real Estate Related Investment Risks.** Certain Private Funds invest in mortgage loans. This strategy involves risks, including, among others: (a) continued declines in the value of residential real estate, (b) risks related to general and local economic conditions, (c) possible lack of availability of mortgage funds for borrowers to refinance or sell their homes, (d) overbuilding, (e) the general deterioration of the borrower's ability to keep a modified or rehabilitated troubled mortgage loan current, (f) increases in competition, property taxes and operating expenses, (g) changes in zoning and other applicable laws, (h) costs resulting from the clean-up of, and liability to third parties for damages resulting from, environmental problems, (i) casualty or condemnation losses, (j) uninsured damages from floods, earthquakes or other natural disasters, (k) limitations on and variations in rents, (l) fluctuations in interest rates, (m) foreclosure moratoriums and other requirements or restrictions on foreclosures that may extend the time needed to foreclose, (n) the creation of new, or the extension of existing, homebuyer incentive programs, and (o) new servicing or loss mitigation requirements. To the extent that assets underlying a Private Fund's investments are concentrated

geographically, by property type or in certain other respects, such Private Fund may be subject to certain of the foregoing risks to a greater extent. In addition, this strategy relies on the motivation of banks, thrifts, mortgage companies, residential real estate developers, certain government agencies, and other participants in the residential mortgage market to originate or sell mortgage loans and other real estate assets. New laws or regulations may be adopted that mitigate negative impacts of holding such assets.

- **Sovereign Debt Risk.** Sovereign debt securities are subject to the risk that a governmental entity may delay or refuse to pay interest or repay principal on its sovereign debt, due, for example, to cash flow problems, insufficient foreign currency reserves, political considerations, the relative size of the governmental entity's debt position in relation to the economy, its policy toward international lenders or the failure to put in place economic reforms required by multilateral agencies. If a governmental entity defaults, it may ask for more time in which to pay or for further loans. There is no legal process for collecting sovereign debt that a government does not pay nor are there bankruptcy proceedings through which all or part of the sovereign debt that a governmental entity has not repaid may be collected.

Sovereign debt risk is increased for emerging market issuers. Certain emerging market or developing countries are among the largest debtors to commercial banks and foreign governments. At times, certain emerging market countries have declared moratoria on the payment of principal and interest on external debt. Certain emerging market countries have experienced difficulty in servicing their sovereign debt on a timely basis that led to defaults and the restructuring of certain indebtedness.

- **Stripped Mortgage-Backed Securities Risk.** Stripped mortgage-backed securities ("SBMS") are derivative multi-class mortgage securities issued by agencies and instrumentalities of the U.S. Government or by private originators of, or investors in, mortgage loans. They are typically structured with two classes that receive different proportions of the interest and principal distributions on a pool of mortgage assets. As such, these classes can be very sensitive to changes in interest rates and the rate of prepayments.
- **Stripped Securities Risk.** Stripped securities are the separate income or principal components of debt securities. These securities are particularly sensitive to changes in interest rates, resulting in greater fluctuations in price than other debt securities and traditional government securities with identical credit ratings.
- **Sukuk Risk.** Sukuk are fixed-income investments conforming to Islamic principles, which prohibit charging interest (i.e., money paid simply for the use of the investor's money). Sukuk may be thought of as a combination of asset-backed securities and repurchase agreements. The issuer, often a special purpose vehicle established to issue the sukuk, holds title to an asset or pool of assets. The sukuk represents an interest in that asset, so the income to the investor comes from ownership of the asset, not from interest on the investor's money. The issuer of the sukuk agrees in advance to repurchase the sukuk from the investor on a certain date at a certain price.

As unsecured investments, sukuk are backed only by the credit of the issuing entity, which may be a special purpose vehicle that holds no other assets. They are thus subject to the risk that the issuer may not be able to repurchase the instrument at the agreed upon date for the agreed upon price, if at all. Furthermore, since the purchasers of sukuk are investors in the underlying asset, they are subject to the risk that the asset may not perform as expected, and the flow of income from the investments may be slower than expected or may cease altogether. In the event of default the process may take longer to resolve than conventional bonds. Evolving interpretations of Islamic law by courts or prominent scholars may affect the free transferability of sukuk in ways that cannot now be foreseen. In that event, a Client Account may be required to hold its sukuk for longer than intended, even if their condition is deteriorating.

- **Trade Claims.** Certain Client Accounts that invest in distressed debt may acquire trade claims — i.e., amounts due from a company to its suppliers. Trade claims are not “securities” for regulatory purposes, and a Client Account, in investing in trade claims, will not have the protection of the securities laws. Trade claims are typically highly illiquid and may have a relatively junior position as compared to securities and other debt owed by the issuer. There may be defenses to trade claims — for example, the services or products furnished not meeting specifications — of which NBIA may not be aware at the time of a Client Account’s acquisition of such claims.
- **U.S. Government/Agency Risk.** U.S. Government/Agency Risk is the risk that the U.S. Government will not provide financial support to U.S. Government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. Not all U.S. Government securities are backed or guaranteed by the U.S. Government. Some U.S. Government securities are supported only by the credit of the issuing agency, which depends entirely on its own resources to repay the debt, and are subject to the risk of default. For example, U.S. Government securities issued by the Federal National Mortgage Association (“**Fannie Mae**”), Federal Home Loan Mortgage Corporation (“**Freddie Mac**”) and Federal Home Loan Banks may be chartered or sponsored by Acts of Congress, but their securities are neither issued nor guaranteed by the United States Treasury. Therefore, these securities are not backed by the full faith and credit of the United States. The maximum potential liability of the issuers of some U.S. Government securities may greatly exceed their current resources, including their legal right to support from the U.S. Treasury. It is possible that these issuers will not have the funds to meet their payment obligations in the future. Importantly, the future of the entities is in serious question as the U.S. government continues to consider multiple options, including privatization, consolidation, and abolishment of the entities.
- **Whole Loans Risk.** Certain Private Funds may acquire whole loans — as opposed to commercial mortgaged-backed securities whose payment flows are dependent on payments of the underlying loans. When the Private Fund holds a whole loan, NBIA will be responsible for dealing directly with the issuer — which can both consume valuable investment adviser resources which could be more profitably employed in other

investments as well as subject the Private Fund to all the uncertainties, expenses and adversary proceedings which surround foreclosures in general.

### **Additional Risks for Equity Strategies**

NBIA's equity strategies involve various material risks, including the risks associated with certain market caps categories (*i.e.*, mid-cap and small-cap) and certain specialty strategies (*i.e.*, Master Limited Partnerships and Socially Responsive Investing). The following is a summary of material risks specific to NBIA equity strategies that should be considered along with the general risks listed above. These risks also apply to alternative and Multi-Asset Mandate strategies that incorporate equity strategies. Please note that certain risks may not apply to all NBIA equity strategies or apply to a material degree.

- **Brokerage Commissions/Transaction Costs/High Portfolio Turnover Risk.** With respect to those accounts which pay separate commissions, a high portfolio turnover rate increases a strategy's transaction costs, including brokerage commissions and dealer costs). Further, higher portfolio turnover may result in the realization of more short-term capital gains than if the strategy had lower portfolio turnover.
- **Correlation Risk.** There can be no assurance that the underlying equity portfolio will correlate to or track closely the selected benchmark (which may be an index, ETF or basket) on which the options positions are based, and as a result, the option strategy performance may vary substantially from the performance of the portfolio for any period of time. For example, when writing options on an index, the value of the index may appreciate while the value of the equity portfolio declines in value. This may result in losses on both the option positions and the equity portfolio.
- **Equity Market Risk.** Investments in equity securities (e.g., common stocks, preferred stocks, convertible securities, rights, warrants and Depositary Receipts ("DRs")) are subject to market risks that may cause their prices to fluctuate over time. Historically, the equity markets have moved in cycles and the value of the strategy's securities may fluctuate substantially from day to day. Investments in income-producing equity securities are also subject to the risk that the issuer may discontinue paying dividends.
- **Growth Stock Risk.** Because the prices of most growth stocks are based on future expectations, these stocks tend to be more sensitive than value stocks to bad economic news and negative earnings surprises. Bad economic news or changing investor perceptions can negatively affect growth stocks across several industries and sectors simultaneously.
- **Issuer-Specific Risk.** The value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole.

- Market Capitalization Risk (Small-, Mid- and Large-Cap Stocks Risk).** To the extent a strategy emphasizes small-, mid-, or large-cap stocks, it takes on the associated risks. Compared to small- and mid-cap companies, large-cap companies may be less responsive to changes and opportunities. At times, the stocks of larger companies may lag other types of stocks in performance. The stocks of small- and mid-cap companies are often more volatile and less liquid than the stocks of larger companies and may be more affected than other types of stocks by the underperformance of a sector or during market downturns. Compared to large-cap companies, small and mid-cap companies may have a shorter history of operations, and may have limited product lines, markets or financial resources.
- REIT and Real Estate Risk.** A strategy's investments in the securities of Real Estate Investment Trusts ("REITs") and companies principally engaged in the real estate industry may be subject to risks associated with the direct ownership of real estate. These risks include fluctuations in the value of underlying properties, the impact of economic conditions on real estate values, the strength of specific industries renting properties and defaults by borrowers or tenants. In addition to these risks, REITs are dependent on specialized management skills and some REITs may have investments in relatively few properties, or in a small geographic area or a single type of property. The properties held by REITs could fall in value for a variety of reasons, such as declines in rental income, poor property management, environmental liabilities, uninsured or uninsurable damage, increased competition (as a result, for instance, of over-building), or changes in real estate tax laws. There is also a risk that REIT stock prices overall will decline over short or even long periods because of rising interest rates. REITs tend to be small- and medium-size companies. Like small-capitalization stocks in general, REIT stocks can be more volatile than, and at times will perform differently from, large capitalization stocks. These factors may increase the volatility of the strategies investments in REITs. Investments in REITs will cause the investors to bear their pro rata portion of the REITs management fees and other expenses, which may result in duplicative expenses. In addition, there are special risks associated with investing in preferred securities such as preferred REITs. The risks may include the following: (i) such preferred securities may include provisions that permit the issuer, in its discretion, to defer or omit distributions for a certain period of time or indefinitely and, as such, preferred securities may lose substantial value due to the omission or deferment of distribution payments, (ii) preferred securities are often subordinated to the issuer's senior debt in terms of liquidation and payment, and therefore will be subject to greater credit risk than the senior debt, and (iii) preferred securities may trade less frequently and in a more limited volume and may be subject to more abrupt or erratic price movements than many other securities.
- Value Stock Risk.** Value stocks may remain undervalued during a given period or may not ever realize their full value. This may happen, among other reasons, because of a failure to anticipate which stocks or industries would benefit from changing market or economic conditions.

## Additional Risks for Alternative Strategies

The following is a summary of material risks specific to NBIA alternative investment strategies that should be considered along with the general risks listed above. In addition, the risks listed above relating to fixed income and equity strategies may also apply to alternative strategies that invest in fixed income or equity investments, respectively. Please note that certain risks may not apply to all NBIA alternative investment strategies or apply to a material degree.

- **Absolute Return Risk.** A Client Account's returns may deviate from overall market returns to a greater degree than the returns of other Client Accounts that do not employ an absolute return focus. Thus, during periods of strong market performance, a Client Account invested in an absolute return strategy may underperform other strategies. Investment strategies and investment advisers whose performance has historically been non-correlated or demonstrated low correlations to one another or to major world financial market indices may become correlated at certain times. During these circumstances, a Client Account's absolute return focus may not function as anticipated.
- **Market Direction Risk.** If a Client Account typically holds both long and short positions, an investment in such a product will involve market risks associated with different types of investment decisions than those made for a typical "long only" fund. A Client Account's returns could suffer when there is a general market advance and the product holds significant "short" positions, or when there is a general market decline and the product holds significant "long" positions. The markets may have considerable volatility from day to day and even in intra-day trading.
- **Multi-Manager Risk.** Multi-manager product performance is dependent upon the success of the adviser and any sub-advisers in implementing the product's investment strategies in pursuit of its goal. To a significant extent, a Client Account's performance will depend on the success of the adviser's methodology in allocating the Client Account's assets to sub-advisers and its selection and oversight of the sub-advisers. The sub-advisers' investment styles may not always be complementary, which could adversely affect the performance of a Client Account. A sub-adviser's strategy may be out of favor at any time. In addition, because each sub-adviser makes its trading decisions independently, it is possible that the sub-advisers may purchase or sell the same security at the same time without aggregating their transactions or hold long and short positions in the same security at the same time. This may cause unnecessary brokerage and other expenses.
- **Special Situations Risk.** A Client Account's use of event-driven and arbitrage strategies will cause it to invest in actual or anticipated special situations – i.e., acquisitions, spin-offs, reorganizations and liquidations, tender offers and bankruptcies. These transactions may not be completed as anticipated or may take an excessive amount of time to be completed. They may also be completed on different terms than anticipated. Some special situations are sufficiently uncertain that the product may lose its entire investment in the situation. A Client Account may receive illiquid securities as a result of its investment in certain special situations. It also may be difficult to obtain complete financial information about

companies involved in certain situations and management of such companies may be addressing a situation with which it has little experience.

- **Subsidiary Risk.** Certain NB Registered Funds may invest in wholly-owned subsidiaries (“**Subsidiary**”) to seek commodities exposure. By investing in the Subsidiary, the NB Registered Fund is indirectly exposed to the risks associated with the Subsidiary’s investments and operations. A Subsidiary is generally not registered under the Investment Company Act and may not subject to all the investor protections of the Investment Company Act.
- **Risks of Private Equity Investments Generally.** Private equity investments entail a high degree of risk and in most cases are highly illiquid and difficult to value. Unless and until those investments are sold or mature into marketable securities they will remain illiquid. In addition to the extent a fund focuses on venture capital investments the companies in which the fund will invest may be in a conceptual or early stage of development, may not have a proven operating history, may offer services or products that are not yet developed or ready to be marketed or that have no established market, may be operating at a loss or have significant fluctuations in operating results, may be engaged in a rapidly changing business, may require substantial additional capital to support their operations to finance expansion or to maintain their competitive position, or otherwise may have a weak financial condition. As a general matter, companies in which the fund invests may face intense competition, including competition from companies with far greater financial resources; more extensive research, development, technological, marketing and other capabilities; and a larger number of qualified managerial and technical personnel.

Generally a fund will not obtain or seek to obtain any control over the management of any portfolio company in which any fund may invest. The success of each investment made by a fund will largely depend on the ability and success of the management of the portfolio companies in addition to economic and market factors.

- **Private Equity Illiquidity Risk.** Generally, the Private Equity Securities and the interests in the Portfolio Funds in which an NB PE Closed-End Fund may invest are illiquid and cannot be transferred without the consent of the relevant general partner or managing member. These investments typically cannot be transferred or redeemed for a substantial period of time, and there may be little or no near-term cash flow available to investors in the interim. Further, the Private Equity Securities and the interests in the Portfolio Funds have not been and will not be registered under the Securities Act or applicable state securities laws. As such, there is no secondary market for those interests, and such a market is not expected to develop. Likewise, an NB PE Closed-End Fund may not receive any distributions representing the return of capital for an indefinite period of time.

- **Lack of Operating History.** The NB PE Closed-End Funds and the Portfolio Funds may be newly formed and have no operating history. As such, there is no guarantee that the funds will achieve their investment objectives.
- **Capital Contributions.** An investor's full commitment in an NB PE Closed-End Fund will not be immediately invested. It may take a significant amount of time to fully draw down the commitments. For example, an NB PE Closed-End Fund may invest directly and indirectly in Portfolio Funds, which may draw down commitments over time. An NB PE Closed-End Fund's performance will be calculated taking into account only the commitments that have been drawn-down; thus an investor's performance that takes into account the investor's total commitment (including any undrawn amount) may be lower than the performance of the NB PE Closed-End Fund.
- **Special Risks associated with Private Equity Investments.** An NB PE Closed-End Fund's investment portfolio will generally consist of investments in privately held companies (either directly or through Portfolio Funds), and operating results for the portfolio companies in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses and may include the following risks:
  - **Buyout Funds.** Buyout transactions may result in new enterprises that are subject to extreme volatility, require time for maturity and may require additional capital. In addition, they frequently rely on borrowing significant amounts of capital, which can increase profit potential but at the same time increase the risk of loss. Leveraged companies may be subject to restrictive financial and operating covenants. The leverage may impair the ability of these companies to finance their future operations and capital needs. Also, their flexibility to respond to changing business and economic conditions and to business opportunities may be limited. A leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money was not used. Although these investments may offer the opportunity for significant gains, such buyout investments involve a high degree of business and financial risk that can result in substantial losses, which risks generally are greater than the risks of investing in public companies that may not be as leveraged.
  - **Venture Funds.** Venture capital funds primarily invest in private companies that have limited operating history, are attempting to develop or commercialize unproven technologies or to implement novel business plans or are not otherwise developed sufficiently to be self-sustaining financially or to become public. Although these investments may offer the opportunity for significant gains, such investments involve a high degree of business and financial risk that can result in substantial losses, which risks generally are greater than the risks of investing in public companies that may be at a later stage of development.



- **Special Situations.** The special situations asset class will likely invest a significant portion of its assets in portfolio companies that may be in transition, out of favor, financially leveraged or troubled, or potentially troubled and may be or have recently been involved in major strategic actions, restructurings, bankruptcy, reorganization, or liquidation. These companies may be experiencing, or are expected to experience, financial difficulties that may never be overcome. The securities of such companies are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. Such investments could, in certain circumstances, subject an NB PE Closed-End Fund or Portfolio Fund to certain additional potential liabilities. For example, under certain circumstances, a lender who has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated, or disallowed, or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments by such companies to us could be required to be returned if any such payment is later determined to have been a fraudulent conveyance or a preferential payment. Numerous other risks also arise in the workout and bankruptcy contexts. In addition, there may be no minimum credit standard that is a prerequisite to an NB PE Closed-End Fund or Portfolio Fund's investment in any instrument and a significant portion of the obligations and preferred stock in which an NB PE Closed-End Fund or Portfolio Fund may invest may be less than investment grade.
- **Absence of Regulatory Oversight.** The Portfolio Funds may not be registered as investment companies under the Investment Company Act. To the extent they are not registered, the NB PE Closed-End Funds, as investors in these Portfolio Funds, will not have the benefit of the protection afforded by the Investment Company Act to investors in registered investment companies (which, among other protections, require investment companies to have a majority of disinterested directors, require securities held in custody at all times to be individually segregated from the securities of any other person and marked to clearly identify such securities as the property of such investment company, and regulate the relationship between the adviser and the investment company).
- **Performance-Based Fees and Allocations.** The general partners or managers of the NB PE Closed-End Funds and the Portfolio Funds may receive performance-based fees or allocations, including certain specified carried interests or other special allocations based on the returns to its investors. Such performance-based fees and allocations may create incentives for the general partners or managers of the NB PE Closed-End Funds or the Portfolio Funds to make more risky or speculative investments than they would otherwise make. In addition, to the extent an NB PE Closed-End Fund makes its investments indirectly through one or more Portfolio Funds, an investor in the NB PE

Closed-End Fund may be subject to two levels of such performance fees or allocations. Consequently, the returns to investors will be lower than returns to a direct investor in the Portfolio Funds.

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

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or potential client's evaluation of the firm or the integrity of the firm's management in this item. NBIA has no items to disclose.

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

### **A. Registration as a Broker-Dealer or Registered Representative**

NBIA is not a registered broker or dealer. Some of NBIA's management personnel are registered representatives with FINRA through their affiliation with NBIA's registered broker-dealer affiliates, NB LLC and NBM. In such capacity, subject to applicable law, they may receive sales commissions in connection with the sale of interests in affiliated Private Funds and NB Registered Funds. See Item 5.E.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor or Associated Person**

NBIA is registered as a CTA and CPO with the CFTC. Certain of NBIA's management personnel are registered with the National Futures Association (the "NFA") as principals or associated persons of NBIA and may also be registered with the NFA as associated persons or principals of one or more affiliates of NBIA. Notwithstanding such registrations, NBIA has and may in the future seek to rely on exemptions from registration as a CPO and CTA with respect to certain accounts and pools that qualify for such exemptions.

### **C. Material Relationships**

NBIA currently has certain relationships or arrangements with related persons that are material to its advisory business or its clients. Below is a discussion of such relationships/arrangements and conflicts that arise from them.

#### **1. Broker-dealer, municipal securities dealer, or government securities dealer or broker**

NBIA is affiliated with NB LLC, a U.S. registered broker-dealer, and NBM, a U.S. registered limited purpose broker-dealer. NB LLC is also registered as a Municipal Securities Dealer with the Municipal Securities Rulemaking Board. NBM is the principal underwriter and distributor for the NB Registered Funds and NB LLC may act as a sub-distributor, generally on an introducing basis, for the NB Registered Funds. In addition, registered representatives of NB LLC offer and sell shares of the NB Registered Funds. NB LLC may also act as a distributor for certain affiliated Private Funds and Sub-Advised Accounts.

In providing investment management services to its clients, NBIA may draw upon the trading and research resources of NB LLC and the operational and administrative resources of NBM. NBIA may use security analyses and research reports prepared by NB LLC's dedicated research department or of other affiliated entities.

NBIA may utilize placement agents in offering certain affiliated Private Funds and NB PE Closed-End Funds to investors. These placement agents may include NB LLC or an unaffiliated registered broker-dealer. See Item 5.E. and Item 14.B. Officers of NB LLC may also solicit Separate Account clients for NBIA.

In addition, NBIA employees are also officers or registered representatives of NB LLC or NBM. In such capacity, they may sell or provide similar services as the services offered by NBIA. The existence of those relationships may create the appearance of a conflict of interest. See Item 11.B.7 and Item 11.D.6.

The Firm has established policies and procedures reasonably designed to prevent the misuse by the Firm and its personnel of material information regarding issuers of securities that has not been publicly disseminated. See Item 11.D.1.

## **2. Investment Company or other pooled investment vehicles**

NBIA acts as adviser to the NB Registered Funds. Management persons of NBIA may act as officers and directors of the NB Registered Funds. NBIA also acts as sub-adviser to Third-Party Mutual Funds. Certain affiliates of Third-Party Mutual Funds may also be clients of affiliates of NBIA or may be referred to NBIA by its affiliates. These affiliates of Third-Party Mutual Funds may receive investment advisory services from NBIA or its affiliates and also may receive other services from certain NBIA affiliates. As recipients of such services, affiliates of Third-Party Mutual Funds will generally be charged the usual and customary fees by both NBIA and any of its affiliates for rendering such services. This may result in total advisory fees that are higher than would have been paid had the affiliates obtained all services from either NBIA or its affiliates alone or from other unrelated brokers and investment advisers. NBIA also acts as an adviser or sub-adviser to the Private Funds where a related party may be a general partner, managing member or the adviser. Management persons of NBIA may act as directors or officers of affiliated Private Funds. In its capacity as a registered broker-dealer, NB LLC may execute transactions for certain of the NB Registered Funds and affiliated Private Funds utilizing equity strategies and receive brokerage commissions in that regard. Further information on these functions and relationship is contained in the offering materials for such funds. All of these transactions for the NB Registered Funds are conducted in accordance with the requirements of Rule 17e-1 under the Investment Company Act. In addition, NBIA serves as a sub-adviser to Non-U.S. Registered Funds advised by affiliates of NBIA.

Subject to the investment guidelines and applicable law, NBIA may invest Client Accounts in Affiliated Funds. See Item 5.C regarding additional fees and expenses associated with investments in Affiliated Funds.

NBIA has a conflict of interest to the extent that it recommends or invests Client Accounts in Affiliated Funds (rather than in unaffiliated mutual funds or Private Funds) because the Firm may benefit from increased subscriptions to the Affiliated Funds (i.e., larger funds) and, with respect to investing Client Accounts in the NB Registered Funds and Non-U.S. Registered Funds, certain affiliates of NBIA may receive distribution fees, placement fees or other fees for distributing such funds.

Neither NBIA nor its related persons are obligated to allocate any specific amount of time or investment opportunities to a particular Private Fund or NB Registered Fund. Because NBIA may receive a Performance Fee in connection with its management of a Private Fund or NB PE Closed-End Fund, NBIA may be incentivized to devote a disproportionate amount of time and resources to the Private Fund at the expense of other accounts that are charged only a management fee. NBIA and its related persons intend to devote as much time as they deem necessary for the management of each account, and will allocate investment opportunities between Private Funds, NB PE Closed-End Funds and other accounts managed in a similar strategy in accordance with NBIA's trade allocation policy described in Item 12.B.

### **3. Other investment adviser or financial planner**

NBIA has relationships that are material to its investment management business with the following affiliated investment advisers (the "**Advisory Affiliates**").

#### SEC Registered Advisers:

Neuberger Berman Asia Limited  
Neuberger Berman Europe Limited  
Neuberger Berman LLC  
Neuberger Berman Singapore Pte. Limited  
NB Alternatives Advisers LLC

#### Non-SEC-Registered Advisers:

Neuberger Berman Australia Pty Limited  
Neuberger Berman East Asia Limited  
Neuberger Berman AIFM Limited

In providing investment management services to its clients, NBIA may draw upon the portfolio management, trading, research, operational and administrative resources of its affiliates, including using affiliates to execute transactions for client accounts. Subject, in certain instances, to the written consent of the client and the regulatory status of the affiliate, NBIA may engage one or more of these affiliates as sub-adviser or may treat these affiliates as "participating affiliates," the latter in accordance with the applicable SEC No-Action Letters. If an affiliate acts as a sub-adviser, investment professionals from such affiliate may be delegated decision-making roles for some or all aspects of the strategy, including the opening of brokerage accounts and the placement of orders to deploy the strategy. As participating affiliates, whether or not registered with the SEC, the affiliates may provide designated investment personnel to associate with NBIA and perform specific advisory services to NBIA consistent with the powers, authority and mandates of NBIA's clients. The employees of a participating affiliate are designated to act for NBIA and are subject to certain NBIA policies and procedures as well as supervision and periodic monitoring by NBIA. The participating affiliate agrees to make available certain of its employees to provide investment advisory services to NBIA's clients through NBIA, to keep certain books and records in accordance with the Advisers Act and to submit the designated personnel to requests for information or testimony before SEC representatives. Participating affiliates may

also be delegated the duty to place orders for certain securities and commodity interest transactions pursuant to an agreement between NBIA and the participating affiliate.

A number of NBIA personnel involved in portfolio management at NBIA are also officers of certain Advisory Affiliates and provide investment management services to clients of such affiliates. Neither NBIA nor its related persons are obligated to allocate any specific amount of time or investment opportunities to a particular client. NBIA and its related persons intend to devote as much time as they deem necessary for the management of each client's account and will allocate investment opportunities in accordance with NBIA's trade allocation policy. See also Item 6 and Item 11.D.6. with respect to side-by-side management issues.

NBIA may act as sub-adviser to certain Separate Account clients of Advisory Affiliates. In addition, NBIA may serve as sub-adviser to Non-U.S. Registered Funds advised by Advisory Affiliates. The Advisory Affiliates may act as sub-advisers to certain Separate Accounts of NBIA. All of the foregoing sub-advisory arrangements are subject to client consent.

Certain employees of Advisory Affiliates may provide marketing or client-related services in connection with NBIA products.

The views and opinions of NBIA, and those of these Advisory Affiliates and their research departments, may differ from one another. As a result, Client Accounts managed by NBIA or its Advisory Affiliates may hold securities or pursue strategies that reflect differing investment opinions or outlooks at the time of their acquisition or subsequent thereto. See Item 11.B.7.

#### **4. Futures commission merchant, commodity pool operator, or commodity trading advisor**

NB LLC is registered as a CTA, CPO and Futures Commission Merchant. Employees of NB LLC in their capacity as associated persons of NB LLC may solicit prospective investors to invest in Private Funds or Separate Accounts that trade commodity interests and are sponsored or managed by NBIA. See Item 10.C.1 and Item 10.C.3 for a description of NBIA's relationship with NB LLC.

#### **5. Banking or thrift institution**

NBIA is affiliated with Neuberger Berman Trust Company N.A. and Neuberger Berman Trust Company of Delaware N.A. (together, the "**NB Trust Companies**"). The NB Trust Companies provide comprehensive fiduciary and wealth management services to high net worth individuals, families and their related entities, including investment management, custody, tax planning, trustee and executor services, planned giving and philanthropic advisory services. In addition, Neuberger Berman Trust Company N.A. provides investment management, custody, and other fiduciary services to institutional clients. The NB Trust Companies may appoint NBIA to manage certain assets of clients of the NB Trust Companies. Certain NBIA personnel are also officers of the NB Trust Companies and provide portfolio management services to private investment vehicles sponsored by the NB Trust Companies. In such cases, NBIA executes securities trades for those vehicles and provides back- and middle-office support.

**6. Accountant or accounting firm**

None.

**7. Lawyer or law firm**

None.

**8. Insurance company or agency**

None.

**9. Pension consultant**

None.

**10. Real estate broker or dealer**

None.

**11. Sponsor or syndicator of limited partnerships**

Affiliates of NBIA act as the general partner with respect to certain Private Fund entities managed by NBIA. See Item 10.C.2. Further information about the partnerships where affiliates of NBIA serve as the general partner is available in Section 7.B.(1) and (2) of Schedule D of Part 1 of NBIA and its affiliated SEC-registered investment advisers' Form ADVs. See Item 10.C.3.

**12. Administrator**

None.

**D. Selection of Other Investment Advisers**

From time to time, NBIA may engage other advisers, including its affiliates, to act as sub-advisers for its Separate Accounts (including, without limitation, with respect to Multi-Asset Mandates) and Affiliated Funds. In addition, from time to time, NBIA may delegate some or all of its role as adviser to other advisers, including its affiliates, for its Separate Accounts, Affiliated Funds and Non-Affiliated Funds. NBIA may invest client assets in the Affiliated Funds or Non-Affiliated Funds. In connection with these investments and the selection of potential sub-advisers, NBIA makes recommendations or selections of underlying investment managers for these clients.



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

### **A. Code of Ethics**

In order to address conflicts of interest, NBIA has adopted a Compliance Manual and the Neuberger Berman Code of Ethics and Code of Conduct (the “**Conflicts Procedures**”). The Conflicts Procedures are applicable to all of NBIA’s officers, members, and employees (collectively, “**Employees**”). The Conflicts Procedures generally set the standard of ethical and professional business conduct that the Firm and NBIA require of its Employees. The Conflicts Procedures consist of certain core principles requiring, among other things, that Employees: (1) at all times place the interests of clients first; (2) ensure that all personal securities transactions are conducted in such a manner as to avoid any actual or potential conflicts of interest or any abuse of an individual’s position of trust and responsibility; (3) refrain from taking advantage of their positions inappropriately; and (4) at all times conduct themselves in a manner that is beyond reproach and that complies with all applicable laws and regulations.

As discussed below, the Conflicts Procedures include provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other topics. All Employees must acknowledge the terms of the Code of Ethics when they begin their employment, annually, and when the Code of Ethics is materially amended.

In addition, the Conflicts Procedures impose certain additional requirements on Access Persons (as defined in the Conflicts Procedures) who are advisory persons. The Conflicts Procedures also require Access Persons to report personal securities transactions on at least a quarterly basis or as otherwise required and provide the Firm with a detailed summary of certain holdings (initially upon becoming an Access Person and annually thereafter) over which such Access Persons have a direct or indirect beneficial interest.

Clients may obtain a copy of the Code of Ethics by contacting their Client Service Representative.

### **B. Participation or Interest in Client Transactions**

NBIA may participate or have an interest in client transactions as described below. NBIA makes all investment management decisions in its clients’ best interests.

#### **1. *Principal and Agency Transactions:***

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliate, buys from, or sells any security to, an advisory client. For example, a principal transaction would occur if NBIA bought securities for its own

inventory from an NBIA advisory client or sold securities from its inventory to an NBIA advisory client.

If NBIA, its affiliates or its respective principals owned a substantial equity interest in an account managed by the adviser, a transaction involving that account and another client could be characterized as a principal transaction. For example, if NBIA, its affiliates or principals have a substantial equity interest in an Affiliated Fund, the transfer of securities from such Affiliated Fund's account to an NBIA Separate Account could be deemed a principal transaction.

A principal transaction presents conflicts of interest which may include the adviser or affiliate earning a fee or earning (or losing) money as a result of the transaction.

NBIA and its related persons do not generally engage in principal transactions with NBIA's clients. Subject to applicable rules and regulations, if NBIA were to engage in such affiliated principal transactions, NBIA would disclose the transaction to the client and obtain the client's consent in accordance with Section 206-3 of the Advisers Act. With respect to Affiliated Funds, NBIA may engage in such transactions as described in each fund's Offering Memorandum or Offering Documents. In such instances, NBIA will comply with applicable law, as well as any requirements imposed by the funds themselves. The potential conflicts of interest are disclosed in the fund's Offering Memorandum or Offering Documents.

An "agency cross transaction" is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. NBIA may infrequently cause clients to engage in agency cross transactions.

## **2. *Cross Transactions***

Cross trades involve the transfer, sale or purchase of assets from one client to another client without the use of a broker-dealer. For equities, NBIA may engage in cross trading where permissible, if it determines that such action and the conditions for the transaction would be favorable to both clients and the terms of the transaction are fair to both parties. For fixed income, generally, it is NBIA's policy not to engage in buying or selling of securities from one client account to another except in limited circumstances when it believes that the cross trade is in the best interest of both clients. The vast majority of trades made for client accounts will be executed through the open market or with reference to an independently established market price. For both equity and fixed income cross trades, neither NBIA nor its affiliates will receive transaction-based compensation from the trade. In certain situations, specific consent for each such transaction may be required from both parties to the transaction. Where an NB Registered Fund or a Third-Party Mutual Fund is involved, the transaction will be executed in accordance with the provisions of Rule 17a-7 under the Investment Company Act and any applicable policies and procedures approved by the NB Registered Fund's or Third-Party Mutual Fund's Board of Trustees.

### **3. *Affiliated Brokers***

NBIA is affiliated with NB LLC. NBIA does not generally execute fixed income transactions for its clients' accounts through NB LLC; however, NBIA utilizes the trading desk of NB LLC to execute equity securities transactions (including ETFs) with third-party brokers for certain Client Accounts. See Item 12.B. In the event NBIA were to execute a transaction on behalf of its clients with NB LLC as broker, NBIA would generally only do so if it had received prior written authorization from the client and only in accordance with all applicable laws and regulations, including the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), and Rule 17e-1 under the Investment Company Act. Such transaction would only be executed if NB LLC provided best execution under the circumstances. See Item 12.A.

NBIA is also affiliated with NBM. NBM is a limited purpose broker-dealer and does not execute transactions for Client Accounts.

### **4. *Financial Interests in Securities or Investment Products***

From time to time, employees of NBIA and its related persons who are registered representatives or associated persons of NB LLC, a registered investment adviser and broker-dealer, CPO and CTA, may recommend to NBIA's clients that they buy or sell securities in which NBIA or a related person has a financial interest. Such financial interest could include, but is not limited to, having a business relationship (whether client, broker, vendor or investment consultant) or serving as investment adviser, general partner, managing member or director for a particular investment product. Furthermore, NBIA may invest Client Accounts in securities or other assets of companies with which NBIA or its affiliates has a business relationship, whether client, broker, vendor or investment consultant. In such instances the purchase or sale of a security either recommended or directed by NBIA may have an impact on the price of such security, which may indirectly benefit (or act to the detriment of) its affiliates.

NBIA and its Advisory Affiliates act in various capacities with respect to Affiliated Funds from which they receive advisory, distribution or other fees. When appropriate and in accordance with applicable law, NBIA may invest client funds in Affiliated Funds. Employees of NBIA and its related persons who are registered representatives or associated persons of NB LLC may also recommend an investment in an Affiliated Fund. NBIA has a conflict of interest to the extent that it recommends or invests Client Accounts in Affiliated Funds (rather than in unaffiliated mutual funds or private funds) because the Firm may benefit from increased subscriptions to Affiliated Funds (i.e., larger funds) and, with respect to investing Client Accounts in the NB Registered Funds and Non-U.S. Registered Funds, certain affiliates of NBIA may receive distribution fees or other fees for distributing such funds. See Item 5.C. and Item 10.C.2.

NBIA's policies and procedures together with its investment process seek to ensure that all accounts are managed in accordance with their investment objectives and guidelines and in accordance with NBIA's fiduciary obligations.

## **5. *Employee Investment in NBIA Products***

Employees of NBIA or its affiliates may be investors in Private Funds, NB Registered Funds, Non-U.S. Registered Funds or Third-Party Mutual Funds managed by NBIA or an affiliate. Any such investments are made in conformity with the Conflicts Procedures (see below) that includes procedures governing the use of confidential information and personal investing. NBIA's affiliate NB LLC also maintains Separate Accounts for employees. NB LLC maintains a policy that prohibits "insider accounts" that do not pay investment advisory fees from receiving a more favorable execution price than that received on the same day by NBIA Client Accounts. The Firm may reduce or waive fees for employees. See also Item 11.C.

## **6. *Buying and Selling Securities That Are Recommended to Clients***

NBIA may recommend to clients investments in which Neuberger Berman, its affiliates or employees are also invested. Key personnel of NBIA may be invested directly in the Private Funds and the Performance Fee (if any) and management fee payable by such affiliated Private Funds may be separately negotiated by NBIA. Certain Private Funds may elect to waive management or Performance Fees for employees of the Firm who invest in the Private Fund pursuant to the Firm's employee investment program.

NBIA manages Separate Accounts for employees and other related persons. NBIA may recommend the purchase of Affiliated Funds to these "insider accounts" as well as to Client Accounts. NBIA may also recommend securities to clients in which a related person has established an interest independent of NBIA. NBIA may purchase and sell securities for its accounts that the Firm, its affiliates or its employees have seeded.

NBIA provides investment advisory services to various clients which may differ from the advice given, or the timing and nature or action taken, with respect to any one account. NBIA, its affiliates and employees (to the extent not prohibited by the Code of Ethics), and clients of NBIA or its affiliates may have, acquire, increase, decrease, or dispose of securities or interests (including interests in Affiliated Funds) at or about the same time that NBIA is purchasing or selling securities or interests (including interests in Affiliated Funds) for a Client Account which are or may be deemed to be inconsistent with the actions taken by such persons.

All such investments are made in conformity with the Conflicts Procedures and NBIA's Aggregation and Allocation Procedures (See Item 12.B.)

## **7. *Securities Trades during an Underwriting Syndicate***

NBIA and its advisory affiliates do not participate as members of underwriting syndicates. From time to time, the NB Registered Funds may purchase securities from an underwriting syndicate in which an affiliate of a Third-Party Mutual Fund is a participating member. The NB Registered Funds have adopted procedures under Rule 10f-3 of the Investment Company Act governing such transactions. In addition, the Third-Party Mutual Funds may purchase securities from an underwriting syndicate from which an affiliate of the Third-Party Mutual Fund is a participating member and NBIA would seek to work with the Third-Party Mutual

Fund's adviser to ensure that all such purchases are in accordance with applicable rules and regulations.

## **8. *Other Interests in Client Transactions***

NBIA employees and officers may also be officers, employees or registered representatives of any of the Advisory Affiliates, including NB LLC. In such capacity, they may sell or provide similar services as the services offered by NBIA. The views and opinions of NBIA or any of the Advisory Affiliates and their research departments, may differ from one another. As a result, Client Accounts may hold securities or other investment products for which each of these entities may have a different investment opinion or outlook at the time of their acquisition or subsequent thereto.

NBIA provides Consulting Services and licenses and supports the NBIA Software to certain clients ("**Consulting Services Clients**"). See Item 4.B. During the consulting period and for the term of any license, NBIA or its affiliates may use similar or identical information derived from their independent use of the NBIA Software to advise Client Accounts with respect to investments in mortgage loans or securities backed by or based upon, directly or indirectly (including synthetically), mortgage loans or other asset-backed securities held or insured by Consulting Services Clients or in which the Consulting Services Clients otherwise have an interest (an "**Interest**"). NBIA or its affiliates may place orders to buy and sell such positions for Client Accounts, or give advice and recommendations with respect to positions where a Consulting Services Client may have an Interest, based on NBIA's or its affiliates' independent use of the NBIA Software prior to or simultaneously with any report or other work product generated or provided by NBIA to any Consulting Services Client, or by such Consulting Services Client through its use of the NBIA Software, or any action or decision made by such Consulting Services Client in reliance upon such reports and other work product. Such orders placed by NBIA or its affiliates may compete or be inconsistent with orders or actions taken by the Consulting Services Clients in reliance on such reports or work product generated by NBIA and the NBIA Software, or may result in a Client Account of NBIA or an affiliate taking the opposite side of a Consulting Services Client order. In addition, NBIA and its affiliates may give advice and recommendations to, and act as agent, including with respect to efforts to commute exposure on behalf of, Client Accounts holding positions in which Consulting Services Clients have an Interest, and take actions on behalf of such Client Accounts that may differ from or be the same as or similar to, any advice or recommendations which NBIA or any of its affiliates may provide to Consulting Services Clients.

## **C. Personal Trading**

NBIA, or one or more of its affiliates, including employees, from time to time, may invest for their own account directly or through an Affiliated Fund or a Non-Affiliated Fund in equity, fixed income, derivatives or other investments in which NBIA may also invest on behalf of Client Accounts. Moreover, NBIA and its affiliates and their respective employees may buy, sell or hold securities while entering into different investment decisions for one or more Client Accounts. All such investments are made in accordance with the Conflicts Procedures.

NBIA's employees and those of its affiliates may participate directly or indirectly in Private Fund investments to the extent permitted by the terms of the relevant Private Fund's operating agreement. Such participation in each investment will be on substantially the same terms and conditions as provided for in the offering materials of the Private Funds. The sale or disposition by NBIA, its affiliates or their respective employees must also be consummated in accordance with internal policies and applicable law.

It is the Firm's policy to monitor and in some cases prohibit personal securities transactions for NBIA, its affiliates and their respective employees. The Conflicts Procedures contain employee trading policies and procedures that are closely monitored by the Legal and Compliance Department. Key aspects of the employee trading policies and procedures include:

- (a) a requirement for securities accounts to be maintained at NB LLC or other approved entities;
- (b) an employee price restitution policy;
- (c) prohibitions against employee participation in certain IPOs;
- (d) prohibitions against trading on the basis of material non-public information;
- (e) pre-approval requirements for certain security transactions such as private placement offerings;
- (f) a minimum holding period of 30 days for most personal securities transactions; and
- (g) annually affirming in writing that (i) all reportable transactions occurring during the year were reported to the Firm; (ii) all reportable positions were disclosed; (iii) all newly opened securities accounts or private placements were disclosed; and (iv) the employee has read, understood and complied with the Code of Ethics.

The price restitution policy attempts to address the potential conflict that could arise from employees owning the same securities as clients, or where the accounts of both enter the market at the same time. Subject to certain exclusions, employee trades that are executed on the same day and in the same security as a Client Account are reviewed to ensure that the employee does not receive a better price than the client. In the event that the employee does receive a better price, the employee's price is "switched" to that of the client's and the cash difference in the execution price is disgorged from the employee account. Disgorged proceeds are often allocated to client accounts in the form of revised execution prices. In some instances, however, a revised execution price may, for operational reasons beyond NBIA's control, not be feasible and the proceeds will either be remitted to client accounts or donated to charity.

As stated in the Conflicts Procedures, it is the policy of Neuberger Berman for its SEC-registered advisers to prohibit insiders, that is, the employees of such advisers and certain of their close relatives, from effecting transactions in anticipation of transactions in such securities by Client Accounts.

## **D. Other Conflicts of Interest**

### **1. *Material Non Public Information/Insider Trading***

The Firm has implemented policies and procedures, including certain information barriers within the Firm (the “**MNPI Procedures**”), that are reasonably designed to prevent the misuse by the Firm and its personnel of material information regarding issuers of securities that has not been publicly disseminated (“**material non-public information**”). The MNPI Procedures are designed to be in accordance with the requirements of the Advisers Act and other federal securities laws. In general, under the MNPI Procedures and applicable law, when the Firm is in possession of material non-public information related to a publicly-traded security or the issuer of such security, whether acquired unintentionally or otherwise, neither the Firm nor its personnel are permitted to render investment advice as to, or otherwise trade or recommend a trade in, the securities of such issuer until such time as the information that the Firm has is no longer deemed to be material non-public information.

In the ordinary course of operations, certain businesses within the Firm may seek access to material non-public information. For instance, the loan and distressed debt businesses within NBIA may utilize material non-public information in purchasing loans and other debt instruments. From time to time, NBIA portfolio managers may be offered the opportunity on behalf of applicable clients to participate on a creditors or other similar committee in connection with restructuring or other “work-out” activity, which participation may provide access to material non-public information.

The MNPI Procedures address the process by which material non-public information may be acquired intentionally by the Firm and shared between different businesses within the Firm. When considering whether to acquire or share material non-public information, the Firm will attempt to balance the interests of all clients, taking into consideration relevant factors, including, but not limited to, the extent of the prohibition on trading that may occur, the size of the Firm’s existing position in the issuer, if any, and the value of the information as it relates to the investment decision-making process. The intentional acquisition of material non-public information may give rise to a potential conflict of interest since NBIA may be prohibited from rendering investment advice to clients regarding the public securities of such issuer and thereby potentially limiting the universe of public securities that NBIA may purchase or potentially limiting the ability of NBIA to sell such securities. Similarly, where the Firm declines access to (or otherwise does not receive or share within the Firm) material non-public information regarding an issuer, NBIA may base its investment decisions with respect to assets of such issuer solely on public information, thereby limiting the amount of information available to NBIA in connection with such investment decisions. In determining whether or not to elect to receive material non-public information, the Firm will endeavor to act fairly to its clients as a whole. The Firm reserves the right to decline access to material non-public information, including declining to join a creditors or similar committee.

In connection with loan assets held by NBIA’s clients, NBIA has engaged a third-party vendor to administer the loan amendment process with respect to issuers for which NBIA will not accept material non-public information.

## **2.     *Gifts/Gratuities/Entertainment***

Generally, Firm employees, wherever located, are prohibited from providing business gifts or entertainment that are excessive or inappropriate or intended to inappropriately influence recipients.

Subject to applicable law, the Firm allows personnel to provide limited business gifts and entertainment to personnel/representatives of clients or prospective clients as detailed in more specific Firm policies and procedures. However, the Firm prohibits providing business gifts or entertainment that are excessive or inappropriate or intended to cause such personnel/representatives to act against the best interests of their employer, the client they represent or those to whom they owe a fiduciary duty.

In addition to the above prohibitions, the Firm imposes restrictions on providing gifts and entertainment to particular types of clients or client representatives, such as government officials at all levels and representatives of U.S. Labor Organizations. Furthermore, other public, as well as private, institutions may have their own internal rules regarding the acceptance of gifts or entertainment by their personnel and other representatives. Neuberger Berman personnel are reminded to be aware that institutions with whom they deal may have certain additional restrictions.

In addition to these requirements, which apply to all Firm personnel, different regions may have regulatory rules and requirements relating to business gifts and entertainment specific to their region. Separate Firm policies and procedures specify how personnel subject to this requirement are to comply with it.

Accepting gifts or entertainment from clients, prospective clients, employees or agents of clients, outside vendors, suppliers, consultants, and other persons or entities with whom the Firm does business may also create actual or apparent conflicts of interest. Subject to applicable law, the Firm does not prohibit personnel from accepting all business-related gifts or entertainment. However, neither Firm personnel, immediate family members, nor other household members may accept any gift or entertainment that is significant in value or impairs, or appears to impair, employee ethics, loyalty to the Firm, or ability to exercise sound judgment. Furthermore, Firm personnel may not accept gifts or entertainment that are, or may be perceived as being, compensation from someone other than the Firm. Firm personnel may not solicit gifts or entertainment, and may not give any gifts or entertainment to anyone who solicits them.

## **3.     *Political Contributions***

Due to the potential for conflicts of interest, the Firm has established policies and procedures relating to political activities which are designed to comply with applicable federal, state and local law. Each employee is required to seek preapproval before the employee, the employee's spouse, the employee's dependent children or any other person that the employee materially supports makes any political contribution or volunteers for a campaign.



#### **4. *Outside Business Activities***

Certain types of outside affiliations or other activities may pose a conflict of interest or regulatory concern to the Firm. Therefore, the Firm prohibits certain activities, and requires employees to disclose outside activities to the Firm in writing so that responsible personnel may assess the compatibility of the outside affiliation or activity with their role at the Firm. “Outside affiliations” include relationships in which Neuberger Berman personnel serve as an employee, director, officer, partner or trustee of a public or private organization or company other than the Firm (paid or unpaid), including joint ventures, portfolio investment companies, non-profit, charitable, civic or educational organizations. Those relationships may or may not be related to employment with the Firm. Employees registered in the U.S. may also have to update their regulatory filings to reflect outside affiliations. Generally, Firm employees do not have to disclose affiliations that involve little or no personal responsibility or exposure on their part and have minimal potential for adversely affecting the Firm’s image or creating conflicts of interest. Firm personnel are not required to disclose affiliations of family members unless they are aware that an immediate family member’s affiliation with a company or organization may result in a conflict of interest between the employee and the Firm or the employee and a client of the Firm.

Firm personnel are generally prohibited from being employed by another company or from engaging in other activities that could interfere or conflict with their service at the Firm. Firm personnel are prohibited from being employed by, or serving on a board or in an advisory position with, any public company or with other firms in the financial services industry. Furthermore Firm personnel are prohibited from entering into independent non-Firm related business relationships with clients, vendors, or co-workers. Exceptions to these prohibitions, which may include serving in a board or advisory position as a fiduciary to certain Client Accounts, such as a Private Fund, may only be made in writing on a case-by-case basis by the Legal and Compliance Department.

Firm personnel may serve, under certain limited circumstances, as an executor, trustee, guardian or conservator, with prior approval from the Legal and Compliance Department, irrespective of whether such service is personal in nature. Brokerage accounts under control of the employee as a result of their service as an executor, trustee, guardian or conservator must be disclosed in accordance with the Firm’s Code of Ethics, even if the relationship is personal. The Firm generally permits employees to engage in philanthropic, charitable or other similar pursuits, subject to certain limitations and with prior approval from the Legal and Compliance Department.

#### **5. *Outsourcing/Service Providers***

The Firm conducts appropriate due diligence on any outside vendor that provides products or services to the Firm and enters into an appropriate contract. The Firm’s relationships with outside vendors are managed so that appropriate controls and oversight are in place to protect the Firm’s interests, including safeguarding of private and confidential information regarding the Firm’s clients and employees.

## **6. *Side-by-Side Management of Different Types of Accounts***

NBIA and its personnel may have differing investment or pecuniary interests in different accounts managed by NBIA, and its personnel may have differing compensatory interests with respect to different accounts. Similarly, NBIA personnel who are dual employees with an Advisory Affiliate may have different interests with respect to accounts managed for NBIA and accounts managed for the Advisory Affiliate.

NBIA faces a potential conflict of interest when (i) the actions taken on behalf of one account may impact other similar or different accounts (e.g., where accounts have the same or similar investment strategies or otherwise compete for investment opportunities, have potentially conflicting investment strategies or investments, or have differing ability to engage in short sales and economically similar transactions) or (ii) NBIA and its personnel have differing interests in such accounts (e.g., where NBIA or its related persons are exposed to different potential for gain or loss through differential ownership interests or compensation structures) because NBIA may have an incentive to favor certain accounts over others that may be less profitable. Such conflicts may present particular concern when, for example, NBIA places, or allocates, securities transactions that NBIA believes could more likely result in favorable performance, engages in cross trades or executes potentially conflicting or competing investments.

NBIA, on behalf of different Client Accounts, may make investments in different parts of an issuer's capital structure (e.g., equity or debt, or different positions in the debt structure). If an issuer in which one or more Client Accounts (or Affiliate Accounts) hold different classes of securities (or other assets, instruments or obligations issued by the same issuer) encounters financial problems, decisions over the terms of any workout may raise conflicts of interest (e.g., conflicts over proposed waivers and amendments to debt covenants or strategies to be pursued in bankruptcy proceedings).

To mitigate these conflicts, NBIA's policies and procedures seek to ensure that investment decisions are made in accordance with the fiduciary duties owed to such accounts and without consideration of NBIA's (or such personnel's) pecuniary, investment or other financial interests. NBIA has policies and procedures designed to allocate investment opportunities fairly among Client Accounts.

In addition, certain side-by-side managed accounts or portfolios may acquire both long and short positions in securities of an issuer (i.e., "long/short" strategies). A short sale involves the sale of a security that the acquirer does not own in the expectation of purchasing the same security (or a security exchangeable therefore) at a later date at a lower price. To make delivery to the buyer, the acquirer must borrow the security, and the acquirer is obligated to return the security to the lender, which is accomplished by a later purchase of the security by the acquirer. In contrast to taking a long position in a security, when a manager sells a security short, he/she is typically doing so with the expectation that the security will decline in value. Depending on a number of conditions, including, but not limited to, the security's liquidity and general economic conditions, shorting a security may also have the added consequence of adversely impacting its market price. As a result, managers who manage long/short products may have potential conflicts of interest were they short a security in which they were also long for another client or

in another product. NBIA has adopted policies and procedures that would permit such transactions, under certain limited circumstances. For example, where sufficient liquidity exists in the market and where certain client's positions in a particular security have yet to achieve long-term tax treatment, but the manager is otherwise pre-disposed to shorting that security, the manager may be permitted to engage in such transaction.

Notwithstanding the above, the views and opinions of NBIA, its portfolio managers and other employees and those of its affiliates and research departments may differ from one another, as well as from their respective Chief Investment Officers and the Neuberger Berman Investment Strategy Group. As a result, products managed by NBIA or its affiliates may hold securities or pursue strategies that reflect differing investment opinions or outlooks at the time of their acquisition or subsequent thereto.

See Item 12.B regarding trade allocation and aggregation policies.

## Item 12: Brokerage Practices

### A. Criteria for Selection of Broker-Dealers

#### *In General—Brokerage Selection*

Generally, where NBIA has discretionary authority for an account, NBIA has discretion to purchase and sell securities and to select the broker-dealer. NBIA looks to the overall quality of service provided by the broker and will consider many factors when making a selection for execution. It is NBIA's policy to use its best efforts to obtain the best price on every trade given all the relevant circumstances. In addition to price, traders may also consider the size of the transaction, liquidity of both the security and the market, the broker's ability to provide or find liquidity, time limitations, and confidentiality of the transaction. In addition, NBIA may consider research and other services in making brokerage decisions (See "*Research and Other Soft Dollar Benefits*" in this Item 12.A. below). NBIA will also utilize electronic trading networks when they can provide liquidity and price improvement over and above what is available through traditional methods for execution. NBIA utilizes a central equity trading desk for certain trade execution services relating to equity securities (including ETFs) for its Client Accounts. Accordingly, where appropriate, references to NBIA in connection with trade execution in this Item 12 include the affiliates of NBIA that support the central equity trading desk.

NBIA may select one or more firms to serve as prime broker ("**Prime Broker**") to hold the funds and securities of any Private Fund, and certain Separate Accounts may establish a prime-brokerage relationship. The Prime Broker may also execute transactions on behalf of Private Funds and Separate Accounts, consistent with the principles of best execution. Specific trades may be "traded away," where trades are executed through brokers other than the Prime Broker in order to gain access to greater inventory or better price or execution. NBIA may also select Prime Brokers it believes will provide specific services beneficial to a Private Fund, allowing the Private Fund to operate more effectively and efficiently by, for example, providing NBIA with electronic access to account information and trade confirmations and bulk mailing of statements to investors.

Clients who elect to trade on margin may enter into a separate agreement directly with the clearing agent. Clients should refer to the agreement with their clearing agent for all terms and conditions of the margin arrangement, including all related fees and expenses.

For Wrap Program Accounts, NBIA may utilize the relevant Wrap Sponsor for brokerage, as use of the Wrap Sponsor may achieve best execution due to certain lower negotiated fees (i.e., brokerage commissions and execution costs on trades are often included in the all-inclusive fee paid by Wrap Program Clients to the Wrap Sponsor). NBIA receives no additional compensation for such use. NBIA will only direct such brokerage where it believes it can achieve best execution (although there can be no assurance that it can be obtained) taking into account any lower fees due to the Wrap Program. When NBIA chooses to trade away from the Wrap Sponsors and execute trades through broker-dealers other than the Wrap Sponsors, the Wrap Program Clients may incur execution costs in addition to the wrap fees they pay to the

Wrap Sponsors. Please refer to Item 5.C for a further description of additional execution costs that may be incurred by Wrap Program Clients. Wrap Program Clients should satisfy themselves that the Wrap Sponsors are able to provide best execution of transactions and consider whether or not the participation in a Wrap Program may or may not result in certain costs or disadvantages to the client as a result of possible less favorable executions.

NBIA may enter into agreements with certain Wrap Sponsors whereby NBIA will only provide its model portfolio to the program sponsor. Except in certain cases where NBIA retains discretion over the execution of portfolio transactions based on the model portfolio, the Wrap Sponsor would be responsible for executing portfolio transactions for the accounts of the Wrap Program Clients.

### ***Research and Other Soft Dollar Benefits***

Soft dollars refers to the practice of using a portion of the commissions generated when executing client transactions to acquire useful research and brokerage services from broker-dealers. In general, NBIA's soft dollar activity relates to its equity trading; NBIA does not generally direct soft dollar credits for fixed income transactions to individual brokers or dealers on behalf of its clients.

*Use of Soft Dollars:* NBIA may consider research and other services in making brokerage decisions and, as it deems appropriate, may use a portion of the commissions generated when executing client transactions (commonly referred to as "soft dollars") to acquire research and brokerage services ("**soft dollar benefits**") in a manner consistent with the "safe harbor" provided by Section 28(e) of the Securities Exchange Act of 1934, as amended. Under the safe harbor, as it has been interpreted by the SEC, NBIA may use soft dollars to pay for soft dollar benefits, even where such benefits may also be available for cash, to the extent appropriate and permitted by law and other global jurisdictional requirements, when such benefits assist NBIA in meeting clients' investment objectives or in managing Client Accounts.

The use of soft dollars to receive research and services benefits NBIA by allowing NBIA, at no cost to it, to (i) supplement and enhance its own research and analysis activities, (ii) receive the views and information of individuals and research staff of other securities firms, and (iii) gain access to persons having special expertise on certain companies, industries, areas of the economy and market factors. Subject to NBIA's policies and procedures, NBIA takes into account the value of permissible soft dollar benefits provided by a broker-dealer, as long as such consideration is not inconsistent with the objective of seeking best execution for client transactions, and clients may pay a higher commission to a broker-dealer in recognition of such soft dollar benefits than might otherwise be obtained in the absence of such considerations.

When appropriate under its discretionary authority and consistent with the duty to seek best execution, NBIA may execute brokerage transactions for Client Accounts through broker-dealers who provide NBIA with useful soft dollar benefits and may pay to those broker-dealers an amount or rate of commission that is higher than might have been paid absent the receipt of soft dollar benefits. NBIA may select broker-dealers based on its assessment of each broker-dealer's ability to provide quality executions and its belief that the research, information and other

services provided by such broker-dealer may benefit Client Accounts. Often, it is not possible to place a dollar value on the quality of executions or on the soft dollar benefits NBIA receives from broker-dealers effecting transactions in portfolio securities. Accordingly, broker-dealers selected by NBIA may be paid commissions for effecting portfolio transactions for Client Accounts in excess of amounts other broker-dealers would have charged for effecting similar transactions, if NBIA determines in good faith that such amounts are reasonable in relation to the value of the soft dollar benefits provided by those broker-dealers, viewed either in terms of a particular transaction or NBIA's overall duty to discretionary accounts.

NBIA may use "step outs" or "commission sharing arrangements" to obtain soft dollar benefits. A step out occurs when NBIA directs a broker-dealer, who executes a trade, to allocate (or "step out") a portion of the trade to another broker-dealer for clearance and settlement. NBIA primarily uses step outs for block trades and believes that this practice assists in seeking best execution.

In commission sharing arrangements, NBIA may effect transactions, subject to best execution, through a broker and request that the broker allocate a portion of the commission or commission credits to a segregated "research pool" maintained by the broker. NBIA may then direct such broker to pay for eligible products and services. Participating in commission sharing arrangements may enable NBIA to (1) strengthen its key brokerage relationships; (2) consolidate payments for eligible products and services; and (3) continue to receive a variety of high quality eligible products and services while facilitating best execution in the trading process.

*Allocation of Soft Dollar Research:* Research obtained with soft dollars will not always be utilized by NBIA for the specific Client Account or Accounts that generated the soft dollars. It should be noted that the value of many soft dollar benefits cannot be measured precisely, and commissions paid for such services cannot always be allocated to clients in direct proportion to the value of the services to each client. Because, as discussed below, NBIA may aggregate or "bunch" client transactions, brokerage commissions attributable to one or more Client Accounts may be allocated to brokers who provide statistical data and research used by NBIA in managing other Client Accounts.

A factor in the allocation of brokerage is NBIA's evaluation of the quality of the brokers' research, meaning the extent to which such brokerage benefits some or all accounts. For purposes of evaluating such research, points are awarded in several categories and the allocation to brokerage business is made based upon the number of points each broker receives. Research is often received on an unrequested basis from brokers who are not awarded points. Often research received from others is not used. Brokers who are not being awarded points for research are nonetheless sometimes used in the interest of securing best execution.

Commissions paid by one Client Account may, in effect, subsidize services that benefited another Client Account. However, any distortions should balance out over time as NBIA believes that its various sources of research and brokerage services enable NBIA to make better investment decisions and execute more effective trades. Therefore, NBIA does not usually attempt to allocate the relative costs or benefits of research or brokerage services among Client Accounts.

NBIA believes that, in the aggregate, the services it receives benefit clients and assists NBIA in fulfilling its overall fiduciary duty to clients.

NBIA may receive directives from certain clients to make a “best effort” attempt to transact business with a client-designated broker in consideration of services received solely by that client from the broker. In such instances, only the particular client’s own soft dollars are used. Unless contrary written instructions are provided by the client, primary consideration is still given to seeking best execution of such transactions.

*Types of Soft-Dollar Products and Services:* Research services provided by a broker-dealer can be either proprietary (created and provided by the broker-dealer, including tangible research products as well as access to analysts and traders) or third party (created by a third party but provided by the broker-dealer). NBIA may use soft dollars to acquire either type of research and any permissible brokerage services. NBIA has received the following soft-dollar products and services during the last fiscal year: current and historical data concerning particular companies, industries and the financial economy as a whole, as well as information and analysis thereof, technical and statistical studies and data dealing with various investment opportunities, risks and trends, and analysis involving special situations.

*Directed Brokerage for Soft Dollar Services:* In limited circumstances, NBIA may enter into an agreement or understanding with a broker-dealer that would obligate NBIA to exclusively direct a specific amount of brokerage transactions or commissions in return for such research (or brokerage) services. In some cases, NBIA may enter into a commission sharing arrangement pursuant to which soft dollars generated are held in an account for the benefit of NBIA, and credits from that account may be used to acquire soft dollar items. NBIA also may, but is not obligated to, pay cash for soft dollar items.

### ***Brokerage for Client Referrals***

NBIA does not enter into agreements with, or make commitments to, any broker-dealer that would bind NBIA to compensate that broker-dealer, directly or indirectly, for client referrals (or sale of fund interests) through the placement of brokerage transactions. In accordance with Rule 12b-1(h) promulgated under the Investment Company Act and the NB Registered Funds’ Directed Brokerage Policy, the NB Registered Funds may not select a broker to execute a transaction in an NB Registered Fund, or direct commissions to a broker, in consideration of fund distribution. The policy also requires that NBIA never allocate commissions to a broker in return for “shelf space” for the NB Registered Funds; for exposure of NB Registered Funds to the broker’s sales force or clients; or for any other arrangement that is designed to support or promote the broker’s sales of NB Registered Funds.

### ***Directed Brokerage***

Certain clients of NBIA may elect to use a specific broker for securities transactions in their account. Upon such election, NBIA is required to direct some or all of the trades for such account to such other broker dealer. NBIA does not have any role in, and does not have any

responsibility for, client's selection of this broker-dealer. NBIA does not have any control over the broker's services, including, but not limited to commissions charged by such broker, and the nature and quality of executions provided by such broker. As such, NBIA cannot ensure in any given transaction for these accounts that it will be able to obtain the best price. For example, NBIA may elect to purchase a security on behalf of certain of its Separate Accounts (where it acts as broker) at a broker that NBIA believes can execute the trade faster than the broker selected by the directed brokerage account. The purchase of the security for the undirected Separate Accounts could raise the price of the security before the broker for the directed account could execute its purchase of the security. This price impact could result in the directed brokerage account paying more than it otherwise would have had the account's order been aggregated with the Separate Account's order.

In addition, a client's selection of another broker may result in the client not receiving certain benefits afforded NBIA's clients for whom NBIA does select brokerage. Those benefits include, but are not limited to, potential efficiencies in execution, clearance and settlement resulting from, among other things, the bunching of orders for various clients (see Item 12.B. below).

If, in NBIA's judgment, the use of another broker would not be consistent with NBIA's fiduciary obligations to obtain best execution or where NBIA is not confident of the selected broker's execution capability for a particular transaction, then NBIA generally has no obligation to use such broker. Therefore, NBIA does not accept any responsibility for not using the broker selected by a directed brokerage client on any such transactions in which NBIA is unable to allocate the brokerage to that broker. NBIA may use step outs for client recapture purposes in order to mitigate dispersion and achieve best execution.

### ***Other Fees in Connection with Trading***

In an effort to achieve best execution of portfolio transactions, NBIA may trade securities for client accounts by utilizing electronic marketplace or trading platforms. Some of these electronic systems may impose additional service fees or commissions. NBIA may pay these fees directly to the provider of the service or these fees may be included in the execution price of a security. NBIA's intention is that it will only use such systems and incur such fees if it believes that doing so helps it to achieve best execution for the applicable transaction, taking into account all relevant factors under the circumstances. For example, NBIA may consider the speed of the transaction, the price of the security, the research it receives and its ability to effect a block transaction.

### ***Trade Errors***

NBIA has adopted policies and procedures for correcting trade errors. Errors can result from a variety of situations involving portfolio management (*e.g.*, inadvertent violation of investment restrictions) and trading (*e.g.*, miscommunication of information, such as wrong number of shares, wrong price, wrong account, calling the transaction a buy rather than a sell and vice versa, etc.). The policies and procedures require that all errors affecting a client's account be resolved promptly and fairly. Under certain circumstances, the policy provides that trades may, where appropriate, be cancelled or modified prior to settlement. The intent of the policy is to



restore a client account to the appropriate financial position considering all relevant circumstances surrounding the error.

## **B. Aggregation of Orders/Allocation of Trades**

### ***Aggregation:***

There may be occasions when NBIA decides to purchase or sell the same security or financial instrument for several Clients Accounts at approximately the same time (including Separate Accounts and certain fee-paying employee accounts, Private Funds, Non-U.S. Registered Funds, NB Registered Funds and Sub-Advised Accounts). NBIA may (but is not obligated to) combine or “bunch” such orders in order to secure certain efficiencies and results with respect to execution, clearance and settlement of orders. NBIA may elect to combine Client Account orders with orders entered for the same security for clients of its Advisory Affiliates (“**Affiliate Accounts**”). NBIA is not obligated to include any Client Account in an aggregated trade. Transactions for any Client Account may not be aggregated for execution if the practice is prohibited or inconsistent with that client’s investment advisory agreement.

While NBIA may effect trades in this manner to reduce the overall level of brokerage commissions paid or otherwise enhance the proceeds or other benefits of the trade for its clients, NBIA may direct transactions to brokers based on both the broker’s ability to provide high quality execution and the nature and quality of research services, if any, such brokers provide to NBIA. As a result, NBIA clients may not always pay the lowest available commission rates, so long as NBIA believes that they are obtaining best execution under the circumstances, taking into account the soft dollar benefits provided.

The aggregation of orders could lead to a conflict of interest in the event an order cannot be entirely fulfilled and NBIA is required to determine which accounts should receive executed shares and in what order. NBIA will generally endeavor to aggregate and allocate orders in a manner designed to ensure that no particular client or account is favored and that participating Client Accounts and Affiliated Accounts are treated in a fair and equitable manner over time.

NBIA will receive no additional compensation or remuneration of any kind as a result of the aggregation of client trades; rather, to the limited extent it is applicable, commissions will be charged at a rate as though the trades had not been aggregated.

NBIA will act in a manner it believes is equitable for its clients as a group when bunching and price averaging.

### ***Allocation of Investment Opportunities:***

NBIA serves as investment adviser for a number of clients and may face conflicts of interest when allocating investment opportunities among its various clients (and Affiliate Accounts). For example: (i) NBIA receives different management or Performance Fees from different clients;

and (ii) NBIA and its affiliates, owners, officers and employees may invest substantial amounts of their own capital in certain collective vehicles (including the Private Funds) in which clients also invest. The majority of NBIA's clients pursue specific investment strategies, many of which are similar. NBIA expects that, over long periods of time, most clients pursuing similar investment strategies may experience similar, but not identical, investment performance. Many factors affect investment performance, including but not limited to: (i) the timing of cash deposits and withdrawals to and from an account; (ii) the fact that NBIA may not purchase or sell a given security on behalf of all clients pursuing similar strategies; (iii) price and timing differences when buying or selling securities; and (iv) the clients' own different investment restrictions. NBIA's trading policies are designed to minimize possible conflicts of interest in trading for its clients.

NBIA considers many factors when allocating securities among clients, including but not limited to the client's investment objectives, applicable restrictions, the type of investment, the number of shares purchased or sold, the size of the account, and the amount of available cash or the size of an existing position in an account. Clients are not assured of participating equally or at all in particular investment allocations. The nature of a client's investment style may exclude it from participating in many investment opportunities, even if the client is not strictly precluded from participation based on written investment restrictions.

*Allocation of New Issues:* NBIA attempts to allocate limited investment opportunities, including new issues, among clients in a manner that is fair and equitable when viewed over a considerable period of time and involving many allocations. NBIA maintains policies and procedures to allocate securities in new issues and secondary offerings. The factors taken into account in allocating of fixed income new issues include, but are not limited to, whether the account's investment objectives fall primarily within the market capitalization of the issuer of securities to be allocated, cash available and legal restrictions on the account. The factors taken into account in allocating shares of equity new issues include, but are not limited to, investment guidelines or restrictions on the account. Once those requirements are met, the securities are generally allocated on a *pro rata* basis based on the assets under management of each account.

**International Equity Strategy Considerations:** NBIA manages distinct international equity strategies that purchase the securities of non-U.S. issuers in two types of accounts: those that are permitted to purchase only ADRs, and those that may purchase securities traded in local markets as well as ADRs. In order to reduce the probability of marketplace disruptions and at the discretion of each portfolio manager, international equity accounts that are permitted to purchase either securities in the local market or ADRs may receive priority over those accounts that are permitted to purchase only ADRs. We believe that this trading methodology should result in better overall execution quality for all clients, but cannot assure this outcome. As a result of receiving priority, clients whose accounts are able to purchase both local securities and ADRs may achieve superior performance compared to those clients whose accounts are able to purchase only ADRs.

The Legal and Compliance Department, in conjunction with the Firm's Asset Management Guideline Oversight group ("AMGO") is responsible for monitoring and interpreting these

policies. Any exceptions to these policies require the prior approval of the Legal and Compliance Department.

## **Item 13: Review of Accounts**

### **A. Periodic Reviews**

NBIA's portfolio managers review accounts on a periodic basis, consistent with an account's needs. Certain accounts may require daily review, while others may require less frequent review. In reviewing accounts, portfolio managers take into consideration both client objectives and goals, and the manager's investment thesis for the total portfolio, as well as for particular securities and other assets.

Portfolio managers and traders are responsible for ensuring that the portfolio is in compliance with internal guidelines, as well as guidelines established by the client. As such, the investment professionals responsible for trading are the first step in maintaining compliance with investment guidelines and investment policy. Because portfolio managers can access online portfolio data, which is updated daily for each portfolio, they are able to "drill down" from sector to individual security in order to assess compliance with client guidelines.

While NBIA looks to the portfolio managers as the first step in the compliance process, NBIA recognizes the need for additional, independent oversight. AMGO serves as an independent supervisory group responsible for ensuring that portfolios are managed in accordance with client investment guidelines, and, among other things, reviews daily option trading. In addition, members of Firm's Asset Management Business Control group (AMBC) review, among other things, new account forms for suitability and account update forms including changes to investment objectives.

The number of Client Accounts supervised by each portfolio manager varies depending upon a particular manager's workload and can change from time to time. A portfolio manager may be responsible for managing Separate Accounts, Private Funds, NB Registered Funds, Sub-Advised Accounts, Wrap Program Accounts and Non-Discretionary Accounts of NBIA or an affiliated advisory firm. The process relating to the review of the accounts of an affiliated advisory firm would be governed by the policies of such affiliate.

In addition to the practices outlined above, the Firm's Legal and Compliance Department perform periodic reviews of the portfolio activities as well as coordinate, where necessary, with the Sub-Advised Account client or its fund accounting designee to provide periodic reviews and reporting to the client as required.

### **B. Non-Periodic Reviews**

Other than the periodic review of accounts described above, certain account anomalies may trigger non-periodic reviews of Client Accounts.

## C. Client Reports

**Separate Accounts and Non-Discretionary Accounts**— NBIA will provide periodic reports to its Separate Account and Non-Discretionary Account clients regarding the status of their accounts based on the needs of the individual client. Such reports may vary among client accounts based on size and type of account or client. Clients will generally also receive reports from their respective Qualified Custodians no less frequently than quarterly. When required by the client, confirmations are sent to such client on the next business day following the execution of a transaction in the client's account. Statements are also sent each month in which there is activity in the account. In addition to the reports described above, clients may periodically meet with their NBIA representative.

**Private Funds**— Investors in Private Funds receive such reports as described in the Private Fund's Offering Memorandum (or as otherwise negotiated with NBIA). Generally, annual audited financial statements of the Private Fund will be prepared in accordance with U.S. Generally Accepted Accounting Principles (or "GAAP") and distributed to investors. Investors may also receive monthly or quarterly reports containing information on the Private Fund's portfolio holdings, valuation of their interests in the Private Fund and cash distributions. These reports may include or be accompanied by information with respect to the performance of the Private Fund, other information about the investor's account and general market information. Private Fund investors will also receive certain tax-reporting information (e.g., Form K-1).

**NB Registered Funds**— NB Registered Fund investors receive such reports as are required by the Investment Company Act. In addition, NBIA provides reports to each NB Registered Fund's Board of Trustees/Directors/Managers, as they may request and as required by the Investment Company Act.

NBIA may rely on information provided by third parties in preparing reports, and a third party may assist in preparing or distributing reports. To the extent reports include or rely upon information from a source other than NBIA (e.g., benchmark information when a report includes a comparison of an account's performance to one or more benchmark indices), NBIA attempts to obtain such information from reliable sources; however, the accuracy of such information cannot be guaranteed. Reports may also include or rely upon fair value determinations made by NBIA or a third party. While such valuations are made in good faith, their actual or empirical accuracy cannot be guaranteed. NBIA, in its discretion, may provide more frequent reports or more detailed information to all or any of its clients.

**Sub-Advised Accounts**— Investors or the client receive such reports as required by the intermediary investment adviser to the account and as required by applicable law or regulation.

**Wrap Program Accounts**— Wrap Program Clients receive such reports as may be provided by the Wrap Sponsors. Wrap Program Clients should refer to each Wrap Program's disclosure document for additional information about the reports provided to program participants.

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

### **A. Compensation by Non-Clients**

Not Applicable.

### **B. Compensation for Client Referrals**

Subject to applicable law, certain employees of NBIA and its affiliates are eligible to earn an account referral commission for referring a potential client to NBIA that engages NBIA to provide investment management services.

From time to time, in accordance with applicable law, NBIA may enter into referral arrangements with third parties and other financial intermediaries, including participation in third-party programs such as Fidelity Wealth Advisor Solutions<sup>SM</sup>, for the purpose of introducing new investment advisory clients to NBIA. Under these referral arrangements all referral parties are independent contractors and the compensation paid to such parties generally represents a percentage of the management and Performance Fees (if any) paid by the client to NBIA. Clients may pay a higher fee than they would otherwise pay due to the referring party's involvement in the introduction. In addition to referrals from external sources, Firm employees may be eligible, subject to applicable law, to earn an account referral commission for referring a potential client that engages NBIA to provide investment management services. Referral arrangements may give rise to potential conflicts of interests given that the referring party has a financial incentive to introduce new investment advisory clients to NBIA. NBIA's participation in these referral arrangements does not diminish its fiduciary obligations to its clients. Consistent with its obligations under the Advisers Act, NBIA provides disclosures for the referral parties to distribute to potential clients relating to the applicable referral arrangement.

### ***Consultants***

NBIA sponsors educational events where its representatives meet with institutional consultants or their clients. NBIA may charge a participation fee or pay for the expenses of the participants. NBIA may also participate in educational programs sponsored by consultants. NBIA may pay a fee to participate in such programs. Both of these types of events provide NBIA with an opportunity to meet with consultants or their clients. Any fees paid by NBIA are from its own resources, which include the management fees received from its clients. Clients should confer with their consultant regarding the details of the payments their consultant may receive from NBIA. In addition, affiliates of NBIA actively seek to educate broker-dealers and other financial intermediaries in connection with the firm's registered fund business. NBIA may benefit from such activity as it advises NB Registered Funds.

## Item 15: Custody

### **Separate Accounts, Non-Discretionary Accounts**

Generally, neither NBIA nor its affiliates will maintain physical possession of the funds or securities that a client maintains in a Separate Account or Non-Discretionary Account. The assets in a Separate Account or Non-Discretionary Account typically are deposited with a Qualified Custodian selected by the client. Under the investment management agreement, NBIA generally invoices the Separate Account or Non-Discretionary Account client and the client directs its custodian to pay NBIA. In limited circumstances, NBIA will have custody due to certain control it may have over a client's custodial account with a Qualified Custodian. In those instances, the Qualified Custodian will send quarterly, or more frequently, account statements directly to the client. Clients should carefully review those statements. NBIA provides quarterly (or more frequent) account statements to its clients. Clients should carefully read and compare any account statements received from NBIA against account statements received from their Qualified Custodian.

### **Private Funds**

Neither NBIA nor its affiliates will maintain physical possession of the funds, securities or other assets of any Private Fund. Physical custody of the assets of a Private Fund will be maintained with a Qualified Custodian selected by NBIA, an affiliate or the third-party adviser to such Private Funds (as applicable), in its exclusive discretion, which selection may change from time to time generally without the consent of investors in the Private Fund.

Certain Private Funds have "prime brokerage" arrangements with certain Prime Brokers. For a Private Fund with a prime broker arrangement, a substantial amount of the brokerage transactions may be effected through the Prime Broker. Through this arrangement, the Prime Broker performs the following functions, among others: (1) arrange for the receipt and delivery of securities bought, sold, borrowed and lent; (2) make and receive payments for securities; (3) maintain physical possession and custody of cash and securities; and (4) deliver cash to the Private Fund's bank accounts. The Prime Broker will generally maintain physical possession or custody of a certain portion of the Private Fund's assets.

Although NBIA or its affiliates will not have physical possession or custody of any Private Fund assets, under Rule 206(4)-2 of the Advisers Act (the "**Custody Rule**"), an adviser has "constructive" custody if it has the authority to possess client assets by withdrawing funds on a client's behalf. With respect to affiliated Private Funds, NBIA or its affiliates, by virtue of acting as general partner or managing member of such fund or similar capacity, has the authority to withdraw funds or securities from the Private Fund. Accordingly, NBIA is deemed to have "constructive" custody over the assets in an affiliated Private Fund.

In order to comply with the Custody Rule, generally these affiliated Private Funds undergo an annual audit performed by an independent accounting firm registered with, and subject to

inspection by, the Public Company Accounting Oversight Board (PCAOB)<sup>2</sup>. The audited financial statements, prepared in accordance with GAAP, are distributed to all investors in each Private Fund within 120 days of the end of the fund's fiscal year.

### **NB Registered Funds**

Neither NBIA nor its affiliates maintain physical possession of the assets of any NB Registered Fund, including any securities. The assets of each NB Registered Fund are held in an account of a Qualified Custodian in accordance with the requirements of the Investment Company Act.

### **Sub-Advised Accounts**

Sub-Advised Accounts are custodied in accordance with the particular type of client (e.g., Separate Accounts, Private Funds, Third-Party Mutual Funds, and Non-U.S. Registered Funds).

### **Wrap Program Accounts**

NBIA does not maintain physical possession of the funds or securities in Wrap Program Client accounts. The assets in a Wrap Program Client's account are typically custodied with the Wrap Sponsor or a Qualified Custodian selected by the Wrap Sponsor.

NBIA's services do not include participation in the Wrap Sponsor's selection of the Qualified Custodian, the structuring of custody arrangements, or supervision of the Qualified Custodian. NBIA assumes no liability with respect to the acts, omissions or other conduct of the Qualified Custodian of the Wrap Sponsor. If the Qualified Custodian invests otherwise uninvested cash in a Wrap Program Client's custodial account, NBIA does not participate in such investment decisions and is not liable with regard to such investments.

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<sup>2</sup> KPMG LLP and/or KPMG Channel Islands Limited (an affiliate of KPMG LLP) performed the annual audit on behalf of certain Private Funds (the "**Affected Private Funds**"), as disclosed in NBIA's Part 1A. One or more limited partners of a fund (the "**Affiliate Fund**") managed by an affiliate of NBIA owns more than ten percent of the Affiliate Fund as well as debt issued by KPMG LLP. Under those facts, which were disclosed to the Affected Private Funds by KPMG LLP on March 8, 2016, although KPMG LLP and KPMG Channel Islands Limited are independent from the Affected Private Funds in accordance with the AICPA Code of Professional Conduct and the Auditing Practices Board Ethical Standards, respectively, KPMG LLP and KPMG Channel Islands Limited are not independent from the Affected Private Funds under Rule 2-01(c)(1)(ii)(A) of Regulation S-X as adopted by the SEC. KPMG LLP and KPMG Channel Islands Limited considered whether the matters noted above impacted their objectivity and ability to exercise impartial judgment with regard to their engagement as auditors and have concluded that there has been no impairment of KPMG LLP and KPMG Channel Islands Limited's objectivity and ability to exercise impartial judgment in the performance of their audit of the Affected Private Funds, as applicable.



## Item 16: Investment Discretion

### **Discretionary**

Subject to any investment guidelines or instructions as a client may from time to time communicate to NBIA, NBIA enters into investment management agreements, sub-advisory agreements or contractual agreements with its clients that give NBIA authority, without obtaining specific client consent, to buy, sell, hold, exchange, convert or otherwise trade in any securities (including equity and fixed income), loans and other financial instruments, including, without limitation, derivatives. NBIA also has discretion to choose the broker dealer(s) to be used and the commission rates paid unless the client instructs otherwise. NBIA's discretionary authority is derived from an express grant of authority under each Separate Account's, NB Registered Fund's or Private Fund's investment advisory agreement with NBIA, each sub-advisory agreement for a Sub-Advised Account and contractual arrangements with the Private Funds. With respect to a number of such agreements, NBIA is also given the authority to execute agreements or other documents on behalf of the client to effectuate NBIA's duties under the investment management agreement. In addition, NBIA's discretionary authority generally allows NBIA to exercise any right incident to any securities or other assets (e.g., the right to vote) held in the account and to issue instructions to the client's custodian for the account for such purposes, as NBIA deems necessary and appropriate in the management of the account. From time to time, NBIA may be engaged to provide limited investment management services such as liquidating a client account. For certain of NBIA's large institutional Separate Accounts, NBIA offers Multi-Asset Mandates. See Item 4.C.

Purchases and sales must be suitable for the particular client and limitations may be imposed as a result of instructions from the client through investment guidelines or other writings. Clients may limit NBIA's authority by prohibiting or limiting the purchasing of certain securities or other assets or industry groups. In addition, clients may further limit NBIA's authority by restricting the use of certain brokers or by requiring that a portion of client's transactions be executed through the client's designated broker. See Item 12.A. If a client restricts the use of certain brokers or directs some or all of its trades to particular brokers, the client may receive a less advantageous price or execution on its securities trades than other clients that do not place restrictions on the use of certain brokers or direct execution to particular brokers.

The Firm, itself, may place restrictions on trading in certain securities or other assets in Client Accounts. Legal or regulatory considerations or Firm risk management policies may necessitate that the Firm restrict trading in certain issuers. Limitations may also be imposed when the purchase of a security, when aggregated with positions in such security held by NBIA for itself, by insiders, and by other clients, would exceed applicable law or NB LLC's self-imposed rules with regard to maximum size of positions in a security. NBIA will not be able to trade in any securities on the Firm restricted list on behalf of any client accounts, except with approval by the Firm's Legal and Compliance Department.

For example, pursuant to the Firm's policies and procedures on the handling of material non-public information, when the Firm is in possession of material non-public information related

to a publicly-traded security or the issuer of such security, whether acquired unintentionally or otherwise, in general, neither the Firm nor its personnel are permitted to render investment advice as to, or otherwise trade or recommend a trade in, the securities of such issuer until such time as the information that the Firm has is no longer deemed to be material non-public information. As such, there may be circumstances which will prevent the purchase or sale of securities for Client Accounts for a period of time. See Item 11.D.1.

### **Wrap Program Accounts**

Please refer to Item 4.B for a discussion of NBIA's discretionary authority for Wrap Program Accounts.

### **Non-Discretionary**

From time to time existing Separate Account clients may direct NBIA to purchase or sell securities on their behalf. In each such case, NBIA will not assume investment advisory responsibility for such transactions. The client is the final decision maker on all buy, sell and hold decisions with respect to these transactions. Further, NBIA will not provide investment advisory services with regard to such holdings.

Additionally, with respect to a small number of clients, NBIA has ongoing responsibility to select securities or other investments that the account may purchase and sell based upon the client's needs; however, at the client's request and for Non-Discretionary Accounts, NBIA may be required to consult with the client before effecting any such purchases or sales for the client's account.

## Item 17: Voting Client Securities

NBIA generally has voting power with respect to securities in all of its accounts other than Non-Discretionary Accounts. With respect to some Separate Accounts and Sub-Advised Accounts, the client has not delegated voting power to NBIA. NBIA has implemented written Proxy Voting Policies and Procedures (the “**Proxy Voting Policy**”) that are designed to reasonably ensure that NBIA votes proxies prudently and in the best interest of its advisory clients for whom NBIA has voting authority. The Proxy Voting Policy also provides for the process by which proxy voting decisions are made, the handling of material conflicts, the disclosure of the Proxy Voting Policy to Clients, the maintenance of appropriate books and records relating to proxies, and proxy voting guidelines for common proxy proposals.

NBIA generally votes proxies with a view to enhancing the value of the shares of stock held in the advisory accounts. The financial interest of its clients is the primary consideration in determining how proxies should be voted. As a general rule, NBIA will vote all proxies relating to a particular proposal the same way for all advisory accounts holding the security in accordance with the proxy voting guidelines set forth in the Proxy Voting Policy, unless a client specifically instructs NBIA in writing to vote such securities otherwise.

The Neuberger Berman Proxy Voting Committee (“**Committee**”) is responsible for developing, authorizing, implementing and updating the Proxy Voting Policy, overseeing the proxy voting process, and engaging and overseeing any independent third party vendors as voting delegates to review, monitor or vote proxies. In order to apply the Proxy Voting Policy in a timely and consistent manner, NBIA utilizes Glass, Lewis & Co. LLC (“**Glass Lewis**”) to vote proxies in accordance with the Proxy Voting Policy.

For socially responsive clients, NBIA has adopted socially responsive voting guidelines. In the event the Socially Responsive voting guidelines do not address how a proxy should be voted, the proxy will be voted in accordance with the Glass Lewis recommendations. For non-socially responsive clients, NBIA’s Proxy Voting Policy provides that it will generally adopt the voting recommendations of Glass Lewis. NBIA retains final authority and fiduciary responsibility for proxy voting. NBIA believes that this process is reasonably designed to address material conflicts of interest that may arise between NBIA and a client as to how proxies are voted.

### **Conflicts:**

NBIA is sensitive to conflicts of interest that may arise in the proxy voting process. It is committed to resolving all conflicts in its clients’ best interest and will generally vote pursuant to the Proxy Voting Policy guidelines when conflicts of interest arise. When there are proxy voting proposals, however, that give rise to conflicts of interest that are not addressed by the Proxy Voting Policy, the Committee will determine the approach to be taken to address the conflict.

In the event that an investment professional at Neuberger Berman believes that it is in the best interest of a client or clients to vote proxies in a manner inconsistent with the NBIA’s proxy voting guidelines or in a manner inconsistent with Glass Lewis recommendations, the

Committee will review information submitted by the investment professional to determine that there is no material conflict of interest between Neuberger Berman and the client with respect to the voting of the proxy in that manner.

If the Committee determines that the voting of a proxy as recommended by the investment professional presents a material conflict of interest between Neuberger Berman and the client or clients with respect to the voting of the proxy, NBIA: (i) takes no further action, in which case Glass Lewis votes such proxy in accordance with the proxy voting guidelines or as Glass Lewis recommends; (ii) discloses such conflict to the client or clients and obtain written direction from the client as to how to vote the proxy; (iii) suggests that the client or clients engage another party to determine how to vote the proxy; or (iv) engages another independent third party to determine how to vote the proxy.

NBIA clients receive a summary of NBIA's Proxy Voting Policy and are provided with instructions on how to obtain a copy of NBIA's Proxy Voting Policy and information about how NBIA voted proxies on their behalf. Clients may obtain a copy of the Proxy Voting Policy or obtain information about how NBIA voted their specific proxies by contacting their Client Service Representative.

#### **Class Action Lawsuits:**

From time to time a security held in a client's account may become the subject of a class action lawsuit. Generally, the custodian for the account handles any decision to file a claim to participate in a class action settlement. Unless otherwise agreed with the client, NBIA has no responsibilities with regard to the class action process.

With respect to Third Party Mutual Funds and unaffiliated Private Funds, unless otherwise agreed with NBIA, typically the fund's custodian or other third-party agent engaged by the fund will handle the class action process and file claims. With respect to affiliated Private Funds and NB Registered Funds, typically the fund's custodian or other third-party agent engaged by the Private Fund or NB Registered Fund, at the direction of NBIA, will handle the class action process and file claims.

NBIA will not act on behalf of its clients as a lead plaintiff in a class action lawsuit or generally as a plaintiff in any potential direct action.

## **Item 18: Financial Information**

### **A. Prepayment of Fees (Six or more months in advance)**

With respect to Separate Accounts, NBIA may require the prepayment of more than \$500 in fees per client. However, this prepayment will generally be for 3 months or less in advance.

### **B. Impairment of Contractual Commitments**

NBIA has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients.

### **C. Bankruptcy Petitions**

NBIA has not been the subject of a bankruptcy proceeding.