



## **New England Asset Management, Inc.**

### **Form ADV Part 2A March 30, 2017**

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This brochure provides information about the qualification and business practices of New England Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us at 860-676-8722. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

New England Asset Management, Inc. is a registered investment adviser, registered with the United States Securities and Exchange Commission under the Investment Advisers Act of 1940. This designation does not imply a certain level of skill or training.

Additional information about New England Asset Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## **Item 2 - Material Changes**

Effective, May 19, 2016, General Re – New England Asset Management, Inc. was renamed to New England Asset Management, Inc. (NEAM). There were changes and clarifications throughout this Brochure compared to the last annual update on March 30, 2016, including additional disclosures relating to the sub-advisory relationships between NEAM and its subsidiary, NEAM Limited

Our Brochure may be requested at any time, free of charge, by contacting our Chief Compliance Officer at 860-676-8722 or [karen.morais@neamgroup.com](mailto:karen.morais@neamgroup.com).



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## **Item 4 - Advisory Business**

New England Asset Management, Inc. (“NEAM”) is registered as an investment adviser with the Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940. We specialize in offering investment management services primarily to the insurance industry.

NEAM was founded under the name of New England Asset Management in 1984. In 1995, NEAM was acquired by General Re Corporation and renamed General Re - New England Asset Management, Inc. In 1998, General Re Corporation was acquired by Berkshire Hathaway Inc. In 2016, General Re - New England Asset Management, Inc. was renamed New England Asset Management, Inc. (NEAM). Our principal office is located in Farmington, CT, with a client service office in San Diego, CA.

In 2009, NEAM established GR-NEAM Limited, located in Dublin, Ireland, as a wholly owned subsidiary which began operations in January 2010. In 2012 GR-NEAM Limited opened a branch office in London, UK. In 2016, GR-NEAM Limited was renamed New England Asset Management Limited (NEAM Limited). NEAM Limited is authorized by the Central Bank of Ireland and subject to limited regulation by the Financial Conduct Authority. Details about the extent of NEAM Limited’s regulation by the Financial Conduct Authority are available from us upon request. NEAM Limited is not registered with the SEC.

### **Types of Services Offered**

#### **Asset Management Services**

NEAM provides asset management services to our clients. The services provided are specified in a written Investment Management Agreement (“IMA”) between NEAM and each client. Clients authorize NEAM to monitor and direct the investment of securities on a discretionary or non-discretionary basis in the IMA and/or in accordance with written client investment guidelines and other client instructions or restrictions. NEAM provides clients with periodic market commentary and newsletters at no additional charge.

#### **Fixed Income Mandates**

Discretionary NEAM client portfolios are actively managed relative to benchmarks within a controlled risk framework. The risk factors we consider in managing fixed income securities are duration, convexity, credit and structure. Our yield-driven, total return investment strategy emphasizes “spread sectors” (corporate bonds, municipal bonds, mortgage backed securities, and other structured products) with the objective of enhancing portfolio yield for the level of risk assumed and generating stable (or growing) levels of investment income.

#### **High Yield Bonds and Senior Secured Loan Mandates**

NEAM offers asset management services for the following mandates through an outsourced sub-advisory arrangement: (1) high yield bonds, (2) senior secured loans, and (3) a credit strategy, in which the sub-advisor actively allocates between the high yield



bond strategy and senior secured loan strategy. The choice between the strategies will depend upon client preferences, asset size, and concentration limitations.

The high yield bond investment objective is to construct a portfolio of high yield securities that are intended to provide higher yields than other fixed income investments. The senior secured loan investment strategy is focused on senior, secured loans that are expected to generate lower levels of volatility in the marketplace compared to other high yield bonds.

Clients who invest in these mandates will receive the sub-adviser's Form ADV Part 2A from NEAM and should review it for more information about the sub-adviser's strategies, risks and potential conflicts of interest.

### **Preferred Securities Strategy**

NEAM's Preferred Securities strategy seeks to generate high levels of after-tax investment income and competitive, risk adjusted total returns through the use of preferred stocks.

### **Structured Products Yield Enhancement Strategy**

NEAM's Structured Products Yield Enhancement strategy is a specialized income-driven total return strategy aimed at higher yielding fixed income opportunities within the structured securities sector.

### **Equity Mandates**

NEAM offers two actively managed equity strategies and a passively-managed equity strategy. The actively managed equity strategies are the Focused Value Equity Management (FVEM) strategy, and the Dividend Select (Dividend Select) equity strategy.

FVEM's investment objective is to apply a value driven approach for seeking out equity investments primarily among the top 1,500 U.S. capitalized stocks and select international stocks and construct a portfolio of investments that seeks to outperform target peer groups and client benchmarks with less volatility over full market cycles.

Dividend Select's equity strategy's investment objective is to enhance income by seeking to obtain a higher dividend yield than the S&P 500 Index. Dividend Select utilizes the same fundamental analysis framework as the FVEM strategy, to seek dividend sustainability over time.

NEAM's passively managed equity strategy is managed on a non-discretionary basis and is suited for clients who desire generic equity exposure, as opposed to actively managed portfolios, and prioritize minimum tracking error to one or more selected benchmarks. The objective of NEAM's passively-managed equity strategy is to provide generic equity exposure to specific sectors through investing in client approved Exchange Traded Funds (ETF's).

### **Investment Accounting Services**

In addition to providing asset management services, NEAM offers investment accounting services to insurance company clients. This includes assistance in Schedule D data



preparation on an annual and quarterly basis. The data is formatted to the NAIC uniform filing, specifically for importing into the client's annual statement package software.

### **Enterprise Capital Return and Risk Management<sup>®</sup> (ECRRM<sup>™</sup>) Services**

NEAM's ECRRM<sup>™</sup> services provide a framework and key analytics to assist insurance company clients to achieve their capital management financial goals and enterprise risk management objectives. The scope of ECRRM<sup>™</sup> services reflects capital structure and allocation, asset allocation, product mix and design, reinsurance structures and acquisitions and divestitures.

### **Enterprise Based Asset Allocation<sup>™</sup> (EBAA<sup>™</sup>) Services**

EBAA<sup>™</sup> is an application within the overarching ECRRM<sup>™</sup> framework. Upon insurance company clients' request, NEAM provides an Enterprise Based Asset Allocation<sup>™</sup> (EBAA<sup>™</sup>) evaluation within the scope of an asset management mandate. The evaluation provides recommended asset allocations, investment guidelines and benchmark options predicated upon the client's financial goals, insurance operations, governance requirements, tax position and risk budget tolerance.

### **Capital and Risk Analytic (CARA<sup>®</sup>) Platform**

NEAM provides clients access to its Capital and Risk Analytic (CARA<sup>®</sup>) platform as part of its overall services. The CARA<sup>®</sup> platform is a web-based investment risk management platform that allows clients to monitor and evaluate their investment portfolio. The CARA<sup>®</sup> platform is updated daily with available market data such as credit ratings and market prices. A set of quantitative analytics is calculated for each security such as duration, convexity, average life, key rate durations and horizon returns.

Our insurance focused risk analytics and asset liability management tools are designed to enhance the investment management process for our clients. These tools provide fixed income market analysis, portfolio analysis and risk reporting, portfolio optimization analysis (used internally by NEAM) and a suite of asset allocation tools. We have web-enabled many of the CARA<sup>®</sup> platform tools to provide an efficient technology and reporting platform for our Client Strategists and clients.

### **Pooled Investment Vehicles/Private Funds**

NEAM serves as general manager for several collateralized debt obligations ("CDOs"). The interests in these funds are privately placed security offerings that are exempt from registration under the Securities Act of 1933, and the funds are exempt from registration under the Investment Company Act of 1940.

### **Tailored Advisory Services**

NEAM's tools and services have been built primarily for its insurance company clients. Therefore, advisory services and reporting for non-insurance company clients are tailored as appropriate to suit non-insurance company client's specific needs.

Clients may impose restrictions on investing in certain securities or types of securities by notifying NEAM in writing and/or specifying in their investment guidelines.



## **NEAM's Assets Under Management as of 12/31/2016**

|                               |                         |
|-------------------------------|-------------------------|
| Discretionary                 | \$62,720,121,026        |
| Non-Discretionary             | <u>\$14,612,315,668</u> |
| Total Assets Under Management | \$77,332,436,694        |

## **Item 5 - Fees and Compensation**

Fees charged by NEAM are specified in a fee schedule within an IMA signed with each client.

### **Fixed Income Mandates**

Advisory fees for new clients range from 10 to 25 basis points for fixed income mandates. All fees are subject to negotiation to reflect certain circumstances that apply to a specific client or account, such as the size and types of securities in the account, the presence of special investment guidelines, the client's structure, account growth potential (such as being a newly formed company), or having any affiliation with NEAM or connection to another NEAM client.

### **High Yield Bond Mandates/ Senior Secured Loan Mandates**

The standard fee schedules for these mandates are:

- High Yield Bonds - 40 basis points;
- Senior Secured Loans - 50 basis points
- The fees for the sub-advised Credit Strategy are also subject to this fee schedule, based on the proportionate share of high yield bonds and/or senior secured loans at each month end.

### **Preferred Securities Strategy**

The standard fee for the Preferred Securities strategy is 35 basis points on the first \$25 million and 30 basis points thereafter.

### **Structured Products Yield Enhancement Strategy**

The standard fee for the Structured Products Yield Enhancement Strategy is 25 basis points on the first \$250 million and 20 basis points thereafter.

### **Equity Mandates**

NEAM's standard fees for managing equity portfolios are based on strategy as specified below:

#### **Passively-Managed Equity Strategy**

Fees are negotiated depending on the size of mandate and allocation.

#### **Focused Value Equity Management (FVEM) Strategy**

70 basis points First \$25 million of market value of assets managed;

55 basis points Next \$25 million of market value of assets managed; and



40 basis points Above \$50 million of market value of assets managed.

#### **Dividend Select Strategy**

50 basis points of market value of assets managed.

#### **ECRRM™ Services**

Additional fees for unmanaged assets, as well as possible additional fees for the ECRRM™ services and/or Enterprise Based Asset Allocation (EBAA™) may be assessed depending on the level of complexity.

Please refer to Item 7 for minimum account sizes.

Fees are inclusive of all our investment management services, including access to the Capital and Risk Analytics (CARA)® Platform and client reporting functionality listed below.

- **Market Monitors:** A collection of “rich/cheap” tools used to analyze broad market indices, yield curves, spreads and specific asset classes.
- **Risk Reports:** A comprehensive suite of reports to aid in managing and assessing the risk in a portfolio. The available risk reports cover many topic areas including summary analysis, comparison analysis, concentration risk, surveillance, quality and ratings, transactions and liquidity analysis.
- **Investment Accounting and Reporting Package:** Ability to electronically receive and print monthly investment accounting and reporting package directly from the website.
- **Data Warehouse:** Ability to access holdings, analytics and security master details to develop and prepare reports.

#### **Consulting Services**

Customized projects and/or customized data analysis requested by clients are provided on a negotiated fee basis.

#### **Investment Accounting Services**

The fee for investment accounting services is an additional 1 basis point on the market value of assets managed by NEAM and accounted for, and 2 basis points on unmanaged assets but accounted for. The fee is negotiable. The investment accounting fee schedule may also be subject to a minimum annual fee which varies, depending on the nature of the agreed upon fee schedule. Depending on the date that investment accounting services begins, NEAM may charge a one-time flat fee for conversion of the investment data into its accounting system.

#### **General Information about Fees**





NEAM's fees are billed one month in arrears of quarter end, unless other billing cycle terms are agreed to in writing with client. NEAM sends quarterly invoices directly to the client for payment of fees, based on the market value of the assets as of the close of business on the last day of each month, unless other valuation sources are agreed to in writing with client. Accounts initiated or terminated during a calendar quarter are charged a prorated fee.

Clients may elect by written directive for NEAM's fees to be paid directly from their custodian account. For such arrangements, NEAM sends the quarterly invoice to the client's custodian with a copy to the client. The fees are deducted from the client's custody account and sent to NEAM.

### **General Expenses**

NEAM receives no additional fees other than those documented in the IMA with its clients. However, in addition to NEAM's fees, clients will incur custodial fees, brokerage commissions for equity transactions, fixed income commissions (included in net price of bonds) and other costs and expenses related to securities transactions.

In general, NEAM does not utilize mutual funds in its investment approach with the exception of money market mutual funds. Money market funds are selected by client as part of a client's custodial banking arrangements and NEAM does not provide advice or recommendations on these funds. Certain of these funds may have conditions or restrictions regarding the purchase or holding of fund shares, including minimum purchase requirements and fees for redemption of shares within a specified period. Clients should carefully review the fund's prospectus for details pertaining to fees and expenses. Exchange traded funds ("ETFs") are invested for clients in the passively-managed equity strategy. ETFs are also subject to management fees and other expenses. The charges, fees and commissions associated with funds are exclusive of and in addition to NEAM's fee, and NEAM does not receive any portion of such fees.

Item 12 further describes brokerage practices, including brokerage and other transactions costs.

Investment management agreements (IMA) may be terminated without penalty by either the client or NEAM upon prior written notice as specified in the IMA. Since fees are billed in arrears, clients will not receive a refund of advisory fees. Upon termination of the IMA, any earned, unpaid fees will be due and payable. If the IMA is terminated prior to month end, the fees for the final partial month are prorated and calculated based on the prior month end valuation.

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

Clients should be aware that performance-based fee arrangements may create an incentive to recommend investments which might be riskier than those which would be recommended under a different type of fee arrangement.



NEAM charges different fee schedules for different accounts. Certain investment advisory clients are charged a flat fee and others are charged a fee based on the value of the assets in the account(s). Currently, none of NEAM's investment advisory clients pay performance fees. NEAM serves as general manager for several CDOs that have performance-based fees. However, the CDOs are not currently meeting criteria for performance fees to apply so only a base asset management fee is currently charged.

NEAM addresses the conflict of having different fee arrangements by aggregating similar trades when applicable, subject to NEAM's trading and allocation procedures as further described in Item 12 - Brokerage Practices. This is monitored by the CEO performing an independent review of a daily trade report.

## **Item 7 - Types of Clients**

NEAM provides investment management services primarily to insurance companies (affiliated and unaffiliated with NEAM). Other types of clients include corporations, pension/profit sharing plans, governmental entities, charitable organizations and high net worth individuals.

### **Minimum Account Size**

NEAM has a \$75 million initial minimum asset account size for new clients which may be waived at our discretion.

Certain strategies are subject to the following minimum account size, which may be waived at NEAM's discretion:

- Sub-advised High Yield Bond Strategy - \$5 million minimum account size
- Sub-advised Senior Secured Loan Strategy - \$10 million minimum account size
- Sub-advised Credit Strategy - \$7.5 million minimum account size
- Structured Products Yield Enhancement Strategy - \$50 million minimum account size
- Dividend Select Strategy - \$10 million minimum account size

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

NEAM's decision-making and portfolio management process can be divided into four broad categories: "Enterprise Capital Return and Risk Management<sup>®</sup>," "Policy and Strategy," "Portfolio Implementation" and "Investment Discipline":

### **Enterprise Capital Return and Risk Management<sup>®</sup> Support Services**

NEAM's Enterprise Capital Return and Risk Management<sup>®</sup> (ECRRM<sup>™</sup>) support services provide a framework and key analytics to assist insurance company clients in achieving their financial goals.

### **Policy and Strategy**

NEAM's Policy Committee, comprised of the Firms' CEO, President, CIO, Asset Class Specialists and Senior Client Strategists, meets monthly to review and determine NEAM investment policy based on the prevailing economic and capital markets environment.



### **Portfolio Implementation**

Utilizing the macroeconomic and capital market forecasts and recommendations from NEAM's Policy Committee (referred above), the Client Strategy group customizes and implements the fixed income investment strategy in the context of each client's portfolio in an effort to achieve the client's objective(s), given their specific guidelines and constraints.

### **Investment Discipline**

Our investment discipline for determining when to purchase or sell sectors or securities is one that utilizes both quantitative and qualitative measures. We use fundamental research, valuation models and an extensive historical securities database.

### **Sub-Advisory Arrangement**

NEAM delegates portfolio management for high yield bond and senior secured loan mandates to a sub-adviser. The sub-adviser provides day-to-day investment management services for the sub-advised mandates and supports NEAM's compliance with applicable client investment guidelines. It also provides investment related data and meeting support to NEAM and its clients in this sub-advisory arrangement. The sub-adviser is responsible for the selection and trading of investments in the sub-advised accounts and notifies NEAM of all trading activity. NEAM performs the operational functions of reporting, valuation and billing.

### **Senior Secured Loan Strategy**

The sub-adviser seeks to actively manage senior secured, floating rate loans by applying its credit discipline through a value driven investment selection process. The investment objectives are to provide a high level of current income with an emphasis on principal preservation investing in higher quality senior secured loans.

### **High Yield Bond Strategy**

The sub-adviser seeks through its high yield bond strategy to focus on the higher quality segment of the high yield bond market and to focus on larger capitalization companies.

The investment objectives are to provide a high level of current income with a strong emphasis on principal preservation with low volatility of performance.

### **Credit Strategy**

For the Credit Strategy, the sub-adviser seeks to actively allocate between the high yield bond strategy and senior secured loan strategy.

### **Preferred Securities Strategy**

NEAM's Preferred Securities strategy seeks to generate high levels of after-tax investment income and competitive, risk adjusted total returns through the use of preferred stocks compared to securities which are higher in the capital structure.

### **Structured Products Yield Enhancement Strategy**



NEAM's Structured Products Yield Enhancement strategy, offered as a separately managed account, is a specialized income-driven total return strategy aimed at higher yielding fixed income opportunities within the structured securities sector. The NEAM Structured Products Yield Enhancement strategy seeks to capture the premium associated with non-benchmark ABS asset types and subordinate tranches in relation to their relative value and market yield attractiveness. The Structured Products Yield Enhancement strategy is suitable for Qualified Institutional Buyers ("QIBs") investors with a tolerance for potential volatility and/or limited liquidity.

### **Equity Mandates**

NEAM's approach for equity investing is to combine quantitative analysis and qualitative judgments to make investment decisions on securities that we expect to produce material excess return compared to the benchmark (the S&P 500) over time. NEAM offers two actively managed equity strategies: (1) Focused Value Equity Management ("FVEM"), (2) Dividend Select equity ("Dividend Select"), and a passively-managed equity strategy.

### **Focused Value Equity Strategy**

NEAM's investment objective in the FVEM strategy is to construct portfolios from stocks that (primarily) are among the top 1500 U.S. capitalized stocks and select international stocks. From this universe we seek to make investments that, in our estimation, are attractively priced given our review of a company's financial metrics. In doing so, we seek to outperform target peer groups and client benchmarks with less volatility over full market cycles.

This approach utilizes the following:

- Quantitative Discipline - Enterprise value based valuation analysis using long-term earnings and cash flows
- Qualitative Judgment - Appraisal of a firm's competitive advantage and sustainability thereof
- Return on Invested Capital Analysis - Evaluate historical level and determine future trend
- Risk Control - Assessment of risk vs. return

### **Dividend Select Equity Strategy**

This strategy seeks to enhance income through the purchase of higher dividend yielding equity investments in stable, high quality companies. The inherent volatility in equities should be attenuated both by the yield and the more stable earnings profile.

Our process begins with NEAM's investment universe of the top 1,500 capitalized U.S. stocks and selected international stocks. This universe is filtered to focus on stocks differentiated by dividend yields.

The Dividend Select strategy seeks to provide our clients with an alternative to traditional common stock exposure by creating a portfolio of stocks that offer higher income and reduced volatility versus a broad market index, like the S&P 500. Dividend Select utilizes



the same fundamental analysis framework as the FVEM strategy, seeking to obtain dividend sustainability over time.

### **Passively-Managed Equity Strategy**

NEAM's passively-managed equity strategy seeks to provide generic equity exposure to specific sectors through investing in Exchange Traded Funds (ETF's). The specific ETF's selected are based on NEAM's enterprise work and discussions with and approved by the client. Prior to investment, we discuss with the client the desired asset class exposure (for example, domestic equity markets, international equity markets, different capitalizations, etc.) and identify specific ETFs to incorporate into the portfolio. This discussion would also include our near term to intermediate views of the different asset classes. Clients should expect relatively little changes to the ETF allocations over time given the passive, generic equity exposure intentions of the ETF strategy.

### **Description of Risks**

Investing in securities involves risk of loss that clients should be prepared to bear. No investment process is free of risk; no strategy or risk management technique can guarantee returns or eliminate risk in any market environment. There is no guarantee that our investment strategies will be profitable. Past performance is not indicative of future performance. The value of investments, as well any investment income, is not guaranteed and can fluctuate based on market conditions. Diversification does not assure a profit or protection against loss.

Our discretionary investment management strategies include securities which may be subject to some or all of the risks described below.

Investment in fixed income securities is integral to NEAM's investment strategies. NEAM focuses on credit risk, interest rate risk, pre-payment risk, liquidity risk, reinvestment risk and structural risk when analyzing fixed income securities.

**Credit Risk:** The risk that an issuer of a security will fail to pay interest and or principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of the security to decline. Fixed income securities rated below investment grade are especially susceptible to credit risk.

**Interest Rate Risk:** The value of fixed income securities is directly related to the level of interest rates. Consequently, fluctuations in rates will cause market prices to fluctuate. Declining interest rates generally increase the value of fixed income securities, and rising interest rates generally decrease the value of fixed income securities. Securities with the longest maturities (and/or "durations") will exhibit the most price volatility. Changes in value usually will not affect the amount of interest income, but will affect the value of the fixed income securities. Floating rate or variable rate instruments are less susceptible to price volatility vs. fixed rate securities since their coupon (cash flows) will adjust up or down periodically based on the general level of rates.



**Pre-Payment Risk:** This is the risk that a security's cash flows deviate from those originally anticipated due to a change in interest rates or due to structural characteristics (optionality) of the security.

**Liquidity Risk:** In some circumstances, the markets for fixed income securities can become "illiquid." In other words, the spread between the "bid" (level where a market participant would buy) and the "ask" (level at which one would sell) becomes very wide. In these instances, it may become difficult or even impossible to transact in the affected securities. Certain fixed income securities may be substantially less liquid compared to other securities.

**Reinvestment Risk:** This is the risk that future cash flows from existing investments may have to be reinvested at lower rates of return than the rates originally achieved. This risk is amplified in the case of securities which have embedded optionality which may cause prepayments to accelerate as rates decline.

**Structured Risk:** For structured securities, this is the risk that adverse developments in the collateral pool supporting the security put payment of interest and principal at risk for one or more classes of the structured transaction. This may result in a loss due to a reduction in the value of the structured security. Early payoffs in the loans underlying structured securities may result in receiving less income than originally anticipated. Securities with longer maturities tend to fluctuate in value more widely in response to changes in interest rates than shorter-term securities.

**Senior Secured Loan Risk:** Strategies investing in bank debt are subject to certain risks in addition to those present in high yield bond portfolios. Clients are bound by contractual obligations established under the bank debt's loan documentation and the transfer agreements executed when purchasing and selling bank debt. Bank debt investments are often subject to certain resale restrictions. Purchases and sale transactions for this asset class involve heightened risk of extended and delayed settlement times which can result in increased counterparty and liquidity risk. Bank debt is not registered or regulated under federal securities laws.

**Securities Investment Risk Generally:** All securities investments include the risk of loss of capital. NEAM believes that its investment approach and research efforts moderate this risk through a careful selection of securities.

**Sector Risk:** The value of securities focused in a specific sector or sectors can be adversely impacted by developments specific to that sector compared to accounts that do not have concentrated holdings. Examples of developments that might cause adverse outcomes on a sector's valuations include legislative actions, regulatory changes, tax or accounting changes and technical conditions specific to that market segment.

**Currency /Country Risk:** Investments in securities of non-U.S. companies involves special risks and considerations not typically associated with investing in U.S. companies, and the values of non-U.S. securities may be more volatile than those of U.S. securities.





Investments in foreign currency-denominated securities are subject to the risk that those currencies will decline in value relative to the U.S. dollar. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons. This includes changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the United States or abroad. Additionally, investments in non-U.S. markets in general may carry a high degree of risk, particularly those in “emerging” markets that may not have the depth and liquidity of markets in the U.S. or Western Europe. The values securities of non-U.S. companies are subject to economic and political developments in countries and regions, particularly where the securities are traded.

Equity Securities Risk – Equity securities include common stocks, preferred stocks, convertible securities and mutual funds that invest in these securities. Equity markets can be volatile. Stock prices rise and fall based on changes in an individual company’s financial condition and overall market conditions. Stock prices can decline significantly in response to adverse market conditions, company-specific events, and other domestic and international political and economic developments.

Exchange-Traded Fund Risk – ETFs are open-end investment companies, unit investment trusts or depository receipts that hold portfolios of stocks, commodities and/or currencies that commonly are designed, before expenses, to closely track the performance and dividend yield of (i) a specific index, (ii) a basket of securities, commodities or currencies, or (iii) a particular commodity or currency. ETF shares are traded on exchanges and are traded and priced throughout the trading day. Because ETFs trade on an exchange, they may not trade at NAV. Sometimes, the prices of ETFs may vary significantly from the NAVs of the ETFs’ underlying securities. Additionally, if redeeming ETF shares rather than selling them on a secondary market, the investor may receive the underlying securities which must be sold in order to obtain cash.

#### Risk Management

No guarantee or representation is made that any of NEAM’s investment strategies will be successful. NEAM utilizes risk management and risk measurement when analyzing fixed income securities for client portfolios. Our technology has been developed to provide daily review of the key risk characteristics of portfolios such as interest rate, credit and prepayment risk for individual securities. Risk reports display individual security and portfolio duration calculations, convexities, credit quality, book and market yields, gain/loss position on multiple accounting bases, horizon returns and key rate durations.

In addition to the risk reporting capabilities, NEAM has a quarterly process for the assessment of “other than temporary” impairments of a security’s value. This risk management process allows us to identify emerging credit trends which result in sale recommendations or related impairment adjustments. Our credit risk management process leverages proprietary technology to provide advance warning signals to the investment



group personnel of negative credit trends, so that appropriate portfolio actions are taken in the impacted client accounts.

NEAM utilizes a trade order management system to monitor investment guideline compliance on a pre-trade and post-trade basis. Additionally, we utilize this system to monitor compliance with internally developed risk management guidelines. These risk management guidelines are applied to client portfolios to monitor that holdings are broadly diversified and do not contain undue risk concentrations.

### **Item 9 - Disciplinary Information**

Neither NEAM nor its management personnel have any disciplinary information to report.

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

Neither NEAM nor any of its employees are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

NEAM has the following relationships or arrangements with related persons that we consider to be material to our investment advisory services and /or clients:

#### Other Investment Adviser

NEAM Limited, located in Dublin, Ireland, is a wholly owned subsidiary of NEAM and is regulated by the Central Bank of Ireland. NEAM Limited serves as an asset manager to clients with non-dollar mandates, and on a more limited basis, clients with dollar mandates. NEAM Limited is not registered with the SEC.

NEAM has entered into several services agreements with NEAM Limited. NEAM Limited acts as a sub-adviser to NEAM, to manage certain non-US dollar mandates on behalf of NEAM's non-US clients. NEAM also serves as a sub-adviser to NEAM Limited to manage certain US dollar mandates on behalf of NEAM Limited clients.

If NEAM recommends or selects NEAM Limited to manage assets for NEAM clients on a sub-advisory or non-subadvisory basis, NEAM Limited will receive compensation in the form of advisory fees from such clients, which benefit NEAM.

Due to the additional economic benefit to NEAM from recommending or selecting NEAM Limited, a conflict of interest exists between the interests of our clients and the interests of NEAM. NEAM addresses this conflict by having clients execute an IMA acknowledging and approving the sub-advisory arrangement and documenting the fee arrangement.





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

NEAM has adopted a Code of Ethics (the "Code"), which sets forth standards of business and personal conduct for all supervised persons. The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance and giving of gifts, reporting requirements for gifts and business entertainment, reporting of outside business activities and personal securities trading and reporting procedures.

NEAM's Supervised Persons are required to follow NEAM's Code and certify that they read, understand and will comply with the terms of the Code on an annual basis, or sooner if the Code is amended.

The Code incorporates general principles, such as placing the interest of clients first and conducting personal securities transactions to avoid conflicts of interest, which all Supervised Persons are expected to uphold and apply to all of their conduct.

NEAM's clients or prospective clients may request a copy of the firm's Code by contacting our Chief Compliance Officer at 860-676-8722 or [karen.morais@neamgroup.com](mailto:karen.morais@neamgroup.com).

Personal trading by Supervised Persons is allowed, but client trades take priority over Supervised Persons' personal trading to reduce the conflict of interest.

NEAM's Code is designed so that the personal securities transactions, activities and interests of NEAM's Supervised Persons will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions, while at the same time, allowing employees to invest for their own accounts.

NEAM's procedures allow Supervised Persons to buy, sell or hold the same securities in their personal accounts that NEAM buys, sells or holds in client accounts. NEAM Supervised Persons may not buy or sell securities for their own personal account until after transactions of securities in clients' accounts are completed. This is controlled by requiring pre-clearance for personal trades and disallowing pre-clearance approval if the security is on the restricted list.

NEAM's ultimate parent company, Berkshire Hathaway Inc., is a publicly traded company. To manage the conflict of interest that arises if NEAM is trading shares of its parent company, unless client-directed, NEAM refrains from trading in Berkshire Hathaway Inc. in our client accounts or from expressing an opinion on the investment.

The Compliance Department monitors reported personal securities trading activities. This includes a quarterly review of the reported trading activities of all Supervised Persons, compared to the pre-approval records.



While NEAM's Asset Class Specialists are primarily responsible for the transactions of securities in client accounts, their actions must be consistent with NEAM's policies and practices including gifts and entertainment activities which are subject to review and approval by NEAM's senior management.

If in the course of providing its services, NEAM and its Supervised Persons come into possession of material, non-public information, NEAM and its Supervised Persons are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, including NEAM's clients.

It is NEAM's policy that NEAM will not effect any principal or agency cross securities transactions for client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. 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. Agency cross transactions arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer; NEAM has no such affiliations.

Transactions internally crossed or effected between two or more clients not affiliated with NEAM are permitted, but only if the transaction is deemed appropriate and fair to both parties at the time of the transaction. NEAM's policy prohibits trades between clients if one of the clients is affiliated with NEAM and/or is an Employee Retirement Income Security Act of 1974 ("ERISA") client. Cross trades are completed through independent unaffiliated broker-dealers and are allocated among eligible accounts utilizing the same methodology used for other transactions. NEAM does not receive any commissions or transaction based compensation from such trades.

## **Item 12 - Brokerage Practices**

NEAM has policies and procedures in place to monitor that transactions are completed on a fair and equitable basis, including oversight by the CIO and CEO.

Unless otherwise directed by a client, NEAM has discretionary authority to select the broker-dealer for trade executions that are on NEAM's list of "approved broker-dealers."

The majority of transactions executed on behalf of our clients will be fixed income transactions effected on a principal basis. The price at which such fixed income transactions are executed tend to include a dealer commission or markup.

Although NEAM seeks competitive commission rates and dealer spreads, it will not necessarily pay the lowest commission or commission equivalent. In any transaction for its clients, NEAM uses reasonable diligence to ascertain the best market for the security and



buy or sell in such market so that the resultant price to the client is as favorable as possible under prevailing market conditions.

When NEAM places orders for the execution of transactions for its clients, NEAM seeks to obtain the best execution available. NEAM seeks best execution at prices and commission rates that in its good faith judgment are in the best interest of the client. In so doing, NEAM will consider not only the available spreads, prices and commission rates, but also other factors it deems relevant, such as: NEAM's knowledge of the nature of the security or instrument being traded; cost (by comparing the yield or price of bonds of comparable quality, coupon, maturity and type quoted by various broker, dealers or banks), the size and type of the transaction; the desired timing of the transaction; the activity existing and expected in the market for the particular security or instrument; and the execution, clearance, and settlement capabilities of the broker, dealer or bank.

If NEAM Asset Class Specialists are working on a buy or sell program for a client that involves a high degree of concentration in any individual security, sector or state, NEAM's policies allow for use of a limited subset of broker-dealers. Such a strategy will not always result in achieving the best price on any individual transaction, but is expected to minimize the market impact of the execution.

Transactions that involve specialized services on the part of the broker, dealer or bank involved, often justify higher commissions or their equivalents than would be the case with other transactions requiring more routine services. For certain secondary market transactions where the execution capability of two broker-dealers is judged to be of substantially similar quality, the NEAM Asset Class Specialist is authorized to transact with either one.

On a quarterly basis, NEAM's Policy Committee reviews a sample of trades for overall execution quality. NEAM's Policy Committee also approves the broker-dealers on NEAM's approved broker-dealer list.

NEAM does not participate in soft dollar arrangements, and requires that any sub-advisers, when managing its clients' assets do not cause clients to "pay up" for brokerage or research services.

Clients limit NEAM's discretionary authority if directing NEAM to use a particular broker, dealer or bank to execute transactions for its account. When a client directs the use of a particular broker, dealer or bank, NEAM may not be in a position to freely negotiate commission rates or spreads, or to select brokers, dealers or banks on the basis of best price and execution. In addition, transactions for a client who directs brokerage would not be aggregated for execution with transactions in the same securities for other clients. As a result, directed brokerage transactions could result in higher commissions, greater spreads or less favorable net prices than would be the case if NEAM were authorized to choose the brokers, dealers and banks through which to execute transactions from the client's account.



NEAM's Asset Class Specialists strive to aggregate individual account orders into larger orders in order to improve speed and efficiency of execution. NEAM affiliates participate with other NEAM clients in aggregated orders. Orders are aggregated daily (each morning), and are aggregated more frequently at the trading group's discretion. The decision to aggregate more frequently as additional orders are created depends primarily on two factors. First, the amount of open orders impacts the aggregation decision. If there are many orders and/or trades pending to fill those orders, the Asset Class Specialists can wait to aggregate those orders in with existing orders. That is done in fairness to the accounts whose orders were submitted first. Additionally, there are instances where Client Strategists will notate specific requirements or preferences on trade orders. Factors such as available cash in the account, account-specific investment guidelines, client-directed securities purchase or sales and/or client imposed restrictions impact the Asset Class Specialist's ability to aggregate trade orders. In instances where aggregation is not appropriate or feasible, the Asset Class Specialists will execute those orders separately.

When aggregating orders, each client participating in the aggregated order receives the same execution price. Where investment opportunities believed by NEAM to be desirable and appropriate for one or more clients are limited, NEAM will allocate them among eligible clients (which may include clients affiliated with NEAM) on a basis NEAM believes to be fair and equitable. In instances where the orders are partially filled, a random allocation process is utilized to allocate bonds across participating accounts. In the case of equity transactions, orders are allocated on a pro rata basis, using each account's order size relative to that of the total order.

### **Item 13 - Review of Accounts**

NEAM implements the investment management and client service process through client-specific teams. Each client is assigned a Client Strategist who is responsible for the application of investment policy to specific client portfolios, as well as monitoring that each investment decision maintains compliance with the client's investment guidelines and NEAM investment policy. Each client is assigned an Investment Accountant who works closely with the Client Strategist to monitor that reporting and investment accounting is done on an accurate and timely basis.

NEAM participates in meetings with clients covering portfolio status, portfolio transaction activity, and performance and risk analytics to keep clients informed of the investment policy and strategy being used in the management of their portfolios. Effective and frequent communication is an integral part of our client service process. The Client Strategist and other investment professionals are available to speak with clients on a daily basis, or as needed.

NEAM provides continuous monitoring and oversight of the discretionary accounts it manages. NEAM's Chief Executive Officer reviews and approves the daily transaction reports for all trades. The reviews focus on consistency of portfolio investments with firm policy and asset allocations. The Client Strategists review client accounts on an ongoing basis to monitor performance and for consistency with client guidelines, objectives and restrictions. The Client Strategists review and approve appraisal reports prior to client



distribution. NEAM's Investment Accountants perform documented reconciliations of client assets at custodian banks. The information in our reports may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

#### Client Reporting Package

NEAM's policy is to prepare and deliver written reports to clients in accordance with the agreed upon delivery deadlines.

For asset management clients, NEAM produces monthly appraisal and transaction reports. Client account performance reports are provided monthly, quarterly or annually upon client request. Reporting is the responsibility of at least one dedicated Investment Accountant who is assigned to each client.

A suite of reports is available that combines the investment accounting book values and book yields with the most recent market valuations and market analytics.

For investment accounting clients, NEAM utilizes a core set of reports. Working closely with our clients we supplement this core package with additional reports to produce a reporting package that meets their investment accounting and reporting needs.

NEAM provides additional reports to its clients, as mutually agreed upon, to meet specific needs or to show in more detail investment performance or current investment status.

NEAM provides clients with online access to investment accounting reports including appraisal reports via the web at [www.neamgroup.com](http://www.neamgroup.com), on a password-protected basis. NEAM provides hard copies if requested by the client.

#### Client Investment Committee Reports/Board Reports

In addition to our normal cycle of frequent communication, monthly reports and periodic client meetings, client team members are available for portfolio reviews and to discuss client needs and objectives, market outlook, investment strategy and portfolio activity or other issues. If requested by a client, Investment Committee/Client Board presentations are prepared by the Client Strategists and generally include a capital market overview, summary of portfolio activity, review of transactions, presentation of performance and other issues of interest.

#### Capital and Risk Analytics (CARA)<sup>®</sup> Platform

In addition to the client reporting package, NEAM clients have access to NEAM's risk reports on the Capital and Risk Analytics (CARA)<sup>®</sup> Platform. Risk reports display individual security and portfolio duration calculations, convexities, credit quality, book and market yields, gain/loss position on multiple accounting bases, horizon returns and key rate durations.

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

As a matter of policy and practice, NEAM and its Supervised Persons do not



- receive any economic benefit (such as sales awards or prizes as compensation) from third parties; or
- compensate any third-party persons, either individuals or entities, for the referral of advisory clients to the firm.

### **Item 15 – Custody**

At a client's request, fee payments are billed to the account custodian and debited from the client's account. Under such arrangements, NEAM is viewed for regulatory purposes as having custody of the client's assets due to NEAM's ability to deduct fees directly from the client account.

Clients with such a billing arrangement should receive account statements directly from the client's broker-dealer, bank or custodian at least quarterly. NEAM encourages each client to review the custodial reports the client receives and to compare the reports and invoices they receive from NEAM.

### **Item 16 - Investment Discretion**

NEAM ordinarily exercises total discretionary authority over a client's account to make all investment decisions in compliance with the client's investment guidelines along with any written restrictions. Certain clients and NEAM's strategies limit this authority by requiring that NEAM obtain their approval prior to executing trades.

By signing the IMA, the client gives NEAM discretionary authority at the outset of an advisory relationship. This authority gives NEAM complete discretion to select the brokers, dealers, or banks, through which to execute transactions for the client's account. This authority also includes the execution of all documentation related to the purchase or sale, assignments, transfers and ownership of any securities, and documentation relating to restructuring, reorganization or other action of or relating to the issuer.

### **Item 17 - Voting Client Securities**

Clients can request in their IMA that NEAM vote proxies on their behalf for clients' managed equities. It is the policy of NEAM that all proxies for client securities are voted in the best economic interests of our clients. We seek to do this by monitoring that proxies are voted in a manner that, in our judgment, will further the objective of maximizing total return to the client as an investor in the securities being voted.

Proxy voting is guided by written proxy voting policies and procedures ("Proxy Policies"), including guidelines for voting certain specific types of proxy proposals ("Proxy Voting Guidelines"). We have engaged an independent third party vendor to develop Proxy Voting Guidelines and to vote each proxy in accordance with the Proxy Voting Guidelines. NEAM reviews and approves for implementation the Proxy Voting Guidelines developed by the third party vendor and evaluates the performance of the vendor on a periodic basis. This evaluation includes an assessment of the vendor's business operational changes, SOC Audit Reports (when available), reporting of conflicts of interest and relevant policies,





voting capacity, competency of personnel, adherence to NEAM's policies and adequacy of its proxy voting process, including recordkeeping.

It is our policy to monitor that proxy voting decisions for our clients are not influenced by any material conflict between our interests and client interests. We monitor that proxies are voted in accordance with the independent vendor's recommendations. The third party vendor will also disclose conflicts relating to its ownership and also maintains that it follows management procedures to mitigate all such events. In instances where NEAM deems that it is in the best interest of its clients to vote against the third party vendor's guidelines, NEAM will document the reason and direct the third party vendor to vote in accordance with the decision. If for any reason the vendor does not provide a voting recommendation on a particular matter, or in the event that the vendor's interests conflict with those of a client, we request client direction on how to vote or take other appropriate action to resolve the conflict as provided in the Proxy Policies. The proxy voting process is administered by our Compliance Department, under the oversight of the Proxy Committee.

To direct us to vote a proxy in a particular manner, clients should contact their Client Strategist and/or the Compliance Department.

If you would like a copy of the Proxy Policies, including Proxy Voting Guidelines, or if you are a client and would like information on how proxies were voted on your behalf, please contact us in writing, by calling 860-676-8722 or via email at [karen.morais@neamgroup.com](mailto:karen.morais@neamgroup.com).

NEAM will not provide legal advice or act for its clients in any legal proceedings involving companies whose securities are held in the client's account(s). This includes the filing of bankruptcy documentation or "Proof of Claims" in class action suits. Certain clients direct us to forward class action notices to them if received by NEAM. In such situations, NEAM will forward documentation to its clients in a timely manner on a best efforts basis.

## **Item 18 - Financial Information**

NEAM has no financial condition that impairs its ability to meet contractual commitments to clients, and has not been the subject of any bankruptcy petition.