



**SUN LIFE INSTITUTIONAL INVESTMENTS (U.S.) LLC**

**("Adviser")**

**Form ADV, Part 2A  
(the "Brochure")**

**March 31, 2017**

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**This Brochure provides information about the qualifications and business practices of Adviser. If you have any questions about the contents of this Brochure, please contact us at the telephone number above. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Sun Life Institutional Investments (U.S.) LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## ITEM 2: MATERIAL CHANGE

There are no material changes to disclose.

## ITEM 3: TABLE OF CONTENTS

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## ITEM 4: ADVISORY BUSINESS

Adviser is an indirect wholly owned subsidiary of Sun Life Financial Inc. (“Sun Life Financial”), a publicly traded holding company for a diversified financial services organization. The Sun Life Financial group of companies provides a broad range of financial products and services to individuals and groups located primarily in Canada, the United States, the United Kingdom and the Asia Pacific Region. Adviser is owned 100% by Sun Life Assurance Company of Canada – U.S. Operations Holdings, Inc., which in turn is owned 100% by Sun Life 2007-1 Financing Corp., which is in turn owned 100% by Sun Life Global Investments Inc., which in turn is owned 100% by Sun Life Financial. Adviser is a Delaware limited liability company.

Adviser provides asset and risk management services to institutional investors most of whom are affiliated with Sun Life Financial. Adviser’s current clients include insurance companies and certain non-insurance affiliates. Each client has unique investment needs

and Adviser customizes clients' portfolios to meet their individual objectives. Adviser has been providing investment advice and other related services to affiliates of Sun Life Financial since 1997. Adviser is a member of the Sun Life Investment Management ("SLIM") group of companies.

Adviser's long-term, value-oriented strategies are managed through a disciplined investment process that seeks to maximize returns while minimizing risk. Adviser's philosophy is rooted in the following core beliefs:

- Focus on Fundamentals
- Disciplined Risk Management
- Extensive Credit Research
- Team Approach to Portfolio Management

The Adviser's trade desk and trade personnel can effect transactions for its affiliates that are not advisory clients of the Adviser. The Adviser performs this service as an accommodation on a "cost plus" basis for these affiliates. The Adviser does not consider this accommodation activity to be part of its advisory business or any other business.

The Adviser can also retain affiliated or unaffiliated third party managers or subadvisers to provide portfolio management services under Adviser's oversight.

Adviser manages assets on either a discretionary or non-discretionary basis. As of December 31, 2016, Adviser's total regulatory assets under management ("RAUM") were approximately \$35.2 billion, including both discretionary and non-discretionary accounts.

## **ITEM 5: FEES AND COMPENSATION**

Adviser's fees are negotiated with the client, and are generally calculated as a percentage of assets under management. Generally, fees are payable monthly or quarterly, based on mutual agreement of Adviser and the client, in arrears, and are prorated in the event an agreement commences or terminates other than at month-end.

With respect to certain investment advisory services provided to affiliated companies, Adviser's compensation can be limited to either reimbursement from the companies for the expenses Adviser incurs in providing these services, or reimbursement of such expenses plus a percentage of cost.

Adviser generally provides institutional clients with invoices, in arrears, reflecting the compensation due to Adviser for the period covered by the invoices. Adviser's clients also bear the transaction costs associated with trades made by Adviser for the client's account. For more information about Adviser's trading practices, please see Item 12, below.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Adviser does not have any accounts that are subject to performance-based fees.

## ITEM 7: TYPES OF CLIENTS

Adviser provides investment advice to institutional clients, most of whom are affiliated with Sun Life Financial.

## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Adviser provides investment strategies for institutional clients, many of whom are affiliated, including insurance companies. Adviser's primary securities investment strategies involve fixed income securities, including investments in both publicly traded and privately offered fixed income securities. Adviser also provides a limited range of investment strategies involving ETFs and equity securities. Adviser also provides risk management or "hedging" strategies, which involve the use of various types of derivative instruments, for its affiliated clients. Adviser also provides advice to clients involving investments in mortgage loans and real estate. The Adviser has outsourced some of its investment research functions to a service center in India in the areas of public fixed income, mortgage review and private fixed income. Adviser uses such information in its investment decision-making. Such personnel are also covered under a Code of Ethics.

### Fixed Income Strategies

With respect to its fixed income investment strategies, Adviser seeks to manage the liabilities of its clients through the selection of securities that match the duration and expected cash flows of its client's insurance products.

#### *Public Fixed Income*

Adviser's relative value strategy seeks performance through security and sector selection and weighting based on fundamental research, and rotation within and across sectors based on relative value opportunities and economic outlook to achieve attractive risk adjusted returns.

Adviser also seeks to manage portfolio risk by active diversification across securities and sectors so as not to have concentrations that could have an adverse impact on portfolios. Where pertinent, Adviser seeks to actively manage interest rate risk by looking to maintain portfolio duration within internally established ranges as agreed to by the client. While duration management is expected to remain within the constraints established, it is also actively managed and plays a role in generating returns and managing risk. The outlook for rates evolves from Adviser's view on the economy and economic policy over time.

Adviser uses a centralized team approach for its fixed income securities research. Adviser relies on sector specialists to assess credit and relative value across and within sectors and make recommendations to the Investment team. (The portfolio management team utilizes the team of credit research analysts and structured credit and mortgage research analysts to formulate opinions based on fundamental research.)

The credit research team focuses on company fundamentals such as revenue and earnings growth, ability to generate cash flow and debt repayment. Members of the credit research team are assigned industry sectors and each focuses on the fundamentals of their assigned sectors and the economic drivers that could impact the credit direction of their sectors.

The structured credit research and mortgage team focuses on value and quality of collateral, structure and subordination of the collateral pool and economic trends that could affect the performance of the security or sector.

#### *Private Fixed Income*

Adviser seeks to provide total returns by taking advantage of pricing inefficiencies often found in the private fixed income market. Examples of such investments include long term debt financing; senior secured and unsecured loans to high credit quality large corporate borrowers; structured finance, including investments secured by strategic real estate or infrastructure assets; financing of transportation assets; and investments in notes secured by mortgages and assignments of credit-tenant lease obligations.

Credit research focuses on company fundamentals such as revenue and earnings growth, ability to generate cash flow and debt repayment, and economic drivers that could impact the credit of the borrower. In structured transactions, the analyst focuses on value and quality of collateral, structure and subordination of the collateral pool and economic trends that could affect the performance of the security or sector.

#### *Fixed Income Investment Strategy Risks*

There is no assurance that the objective of any fixed income investment strategy can be achieved. The principal risks associated with the Adviser's fixed income strategies are interest rate risk, credit risk, liquidity risk, prepayment risk, extension risk, market risk, and rating agencies risk, which are described in more detail below. To the extent a fixed income strategy employs investments in mortgage-backed or asset-backed securities, high yield securities or foreign fixed income securities, it can also experience risks associated with these investments, as described in more detail below. In addition, Adviser's judgments about the relative value of securities selected for the portfolio can prove to be wrong.

- Interest rate risk involves the risk that interest rates will go up, causing the value of the portfolio's fixed income securities to go down, and the risk that interest rates would go down, potentially causing a negative impact on reinvestment returns. This risk can be greater for securities with longer maturities.
- Credit risk is the risk that the issuer of fixed income securities owned by the portfolio will default on its payment obligations, become insolvent, or have its credit rating downgraded by a rating agency and thereby causing the market value of the securities to decrease.
- Liquidity risk is the risk that Adviser may be unable to sell a given security at an advantageous time or price or to purchase the desired level of exposure for the portfolio.
- Prepayment risk or "call" risk is the risk that the issuer of a callable security will exercise its right, when interest rates are falling, to prepay principal earlier than scheduled, forcing the portfolio to reinvest in lower yielding securities.
- Extension risk is the risk that the issuer of a security will exercise its right, when interest rates are rising, to extend the time for paying principal, which will lock in a

below-market interest rate, increase the security's duration and reduce the value of the security.

- Market risk is the risk that prices of securities in the portfolio will fall as a result of general market movements, adverse market reactions to recent events or trends, including unfavorable company news.
- Rating agencies risk is the risk that rating agencies, on which the Adviser can rely in part when selecting securities for the portfolio, are incorrect in their evaluation of an issuer's financial condition or fail to make timely changes in credit ratings upon a change in such issuer's condition.
- For investments in mortgage-backed or asset-backed securities, the portfolio's investments in these types of securities are affected by the characteristics of the underlying assets, which can increase their levels of interest rate risk, extension risk and prepayment risk.
- For high yield securities, there is also the risk that an economic downturn or period of rising interest rates will adversely affect the market for high yield securities and reduce the portfolio's ability to sell its high yield securities. High yield securities can be subject to greater levels of interest rate risk, credit risk, and liquidity risk than other fixed income securities. High yield securities are considered primarily speculative with respect to the issuer's continuing ability to make principal and interest payments.
- For foreign securities, there is the risk that prices of the portfolio's foreign securities can go down because of foreign government actions, political instability, or the more limited availability of accurate information about some foreign issuers.
- For investments in emerging market or developing countries, there is also the risk that these investments will perform poorly as a result of market, credit, currency, liquidity, legal, political and other risks different from, or greater than, those affecting investment in developed foreign countries.
- Foreign securities also involve currency risk, which is the risk that the value of interest paid on non-dollar and non-U.S. securities, or the value of the securities themselves, will fall because currency exchange rates change.
- Foreign issuers of securities denominated in U.S. currency can face a greater risk of default than U.S. issuers if the issuer's currency is significantly devalued against the U.S. dollar.
- Securities selection risk is the risk that Adviser's judgments about the relative values of securities selected for the portfolio can prove to be wrong.

### **Risk Management Strategies**

Adviser advises its affiliated institutional clients on risk management strategies that can include the use of derivatives.

Derivatives are investments whose value is based on, or derived from, an underlying asset, such as a stock or a market index. Derivatives are not a direct investment in the underlying asset itself. Derivatives are often contracts with another party to buy or sell an asset at a later date. Other derivatives are contracts to exchange value with another party based on certain events or changes in a reference instrument such as a security, a basket of securities, or a securities index. Some common derivatives are: (a) a futures or forward contract, which is an agreement to buy or sell currencies, commodities or securities for a set price at a specified future date; (b) an option, which gives the buyer the right, but not the obligation, to buy or sell currencies, commodities or securities at a set price within a certain time period; or (c) a swap agreement, which is an agreement in which each party agrees to make periodic payments to each party based on the change in value of designated underlying instruments of the assets specified in the agreement. Adviser may use derivatives in client portfolios to seek to limit potential gains or losses caused by changes in exchange rates, stock prices or interest rates. This is called hedging. Adviser can also use derivatives in client portfolios for non-hedging purposes, such as reducing transaction costs, increasing liquidity, gaining exposure to financial markets or indices, replicating investments, or increasing speed and flexibility in making portfolio changes.

There is no assurance that the objective of any risk management strategy can be achieved. The principal risks associated with Adviser's use of derivatives in risk management strategies are described in more detail below. In addition, Adviser's judgments about the relative value of investments selected for the portfolio can prove to be wrong.

- Adviser's hedging strategy may not be effective. Attempts by Adviser to hedge risk or profit from hedging positions can be unsuccessful and/or result in losses.
- There may be no market for the derivative contract when a portfolio wants to buy or sell.
- Adviser may not be able to find an acceptable counterparty willing to enter into a derivative contract.
- The counterparty to the derivative contract or central clearing house may be unwilling or unable to meet its obligations.
- To the extent that a large percentage of the assets of a portfolio can be subject to derivatives transactions with one or a limited number of counterparties or clearing houses, the portfolio could incur significant losses in the event of a default by one or more of such counterparties or clearing houses.
- Securities exchanges can set daily trading limits or halt trading, which can prevent a portfolio from selling a particular derivative contract.
- The price of a derivative may not accurately reflect the value of the underlying asset.
- Derivatives can involve leverage which can magnify a portfolio's exposure to market values, interest rates or currency exchange rates, so that small changes in such values or rates can produce disproportionately large losses.

## Equity Strategies

With respect to its equity strategies, Adviser utilizes passively managed strategies designed to replicate or closely track a broad market index, while maintaining strict adherence to the investment guidelines of each portfolio through the use of funds or single name equities.

There is no assurance that the objective of any equity investment strategy can be achieved. The principal risks associated with Adviser's equity strategies are described in more detail below.

- Stock markets can go down or perform poorly relative to other types of investments.
- The market can undervalue the stocks held by the portfolio for longer than expected.
- To the extent a portfolio invests in securities of REITs or other real estate related companies, these securities can experience the same risks as direct ownership of real estate, such as the risk that the value of real estate could decline due to factors that affect the real estate market generally. These securities can also decline in value due to the capability of their managers, limited diversification, and changes in tax laws.
- ETFs are subject to certain risks, including: (1) the risk that their prices may not correlate perfectly with changes in the underlying index; and (2) the risk of possible trading halts due to market conditions or other reasons that, in the view of the exchange upon which an ETF trades, would make trading in the ETF inadvisable. An exchange traded sector fund can also be adversely affected by the performance of that specific sector or group of industries on which it is based.
- To the extent a portfolio has a significant portion of its assets invested in securities of companies conducting business in the same industry or in a closely related group of industries within an economic sector, this positioning could make the portfolio more vulnerable to unfavorable developments in an industry or sector than portfolios that invest more broadly.
- To the extent a portfolio invests in foreign securities, there is risk that foreign equity markets, which can be more volatile than the U.S. market due to increased risks of adverse political, regulatory, market, or economic developments, will underperform the U.S. market or other types of investments.
- To the extent a portfolio invests in foreign or multinational companies, the portfolio can experience greater market, liquidity, currency, political, information and other risks than if it invested only in U.S. companies.
- Prices of securities in the portfolio fall as a result of general market movements, adverse market reactions to recent events or trends, or unfavorable company news. This is known as market risk.



## ITEM 9: DISCIPLINARY INFORMATION

Adviser has no disciplinary information to report in response to this Item 9.

## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### **Material Business Relationships of Adviser and its Management Persons with Related Persons**

Adviser is an indirect wholly-owned subsidiary of Sun Life Financial. The Sun Life Financial group of companies provides a broad range of financial products and services to individuals and groups primarily located in Canada, the United States, the United Kingdom and the Asia Pacific region.

Adviser's current Board of Managers consists of John T. Donnelly, Randolph B. Brown and Neil L. Haynes.

The principal officers of Adviser are Messrs. Donnelly, Brown, and Haynes, Andrew S. Harris and Kerri Riley Ansello. Messrs. Donnelly, Brown and Haynes, in addition to serving on the Adviser's Board of Managers and as executive officers of Adviser, have significant responsibilities in their positions with Sun Life Financial, which controls Adviser. Mr. Haynes serves as Chief Financial Officer of Sun Life Financial U.S. business. Mr. Brown is the Chief Investment Officer of Sun Life Financial Inc. Mr. Harris is the Chief Compliance Officer of Sun Life Institutional Investment (Canada) Inc., ("SLIIC"). Mr. Donnelly is a member of the Board of Directors of Ryan Labs Asset Management and also serves as Senior Managing Director, Strategic Research and Initiatives of Sun Life Assurance Company of Canada. Ms. Riley Ansello serves as Secretary to many, primarily U.S., entities in the Sun Life Financial group of companies.

### **Relationships with Affiliated Insurance Companies**

Sun Life Financial is the 100% owner of Sun Life Assurance Company of Canada ("Sun Life of Canada"), a Canadian life insurance company, to whom Adviser provides investment advisory services. Sun Life Financial was also the 100% owner, indirectly, of the following insurance companies and dental plans to which Adviser provides investment advisory services as of December 31, 2016:

- Independence Life and Annuity Company ("Independence Life");
- Professional Insurance Company ("PIC");
- Sun Life and Health Insurance Company (U.S.) ("SLHICUS");
- Sun Life Financial (U.S.) Reinsurance Company;
- Sun Life (U.S.) Reinsurance Company II;
- PT. Sun Life Financial Indonesia;
- Sun Life of Canada (Philippines), Inc.;
- Sun Life Insurance (Canada) Limited;
- Sun Life Hong Kong Limited ("Sun Life (H.K.)");
- Sun Life Assurance Company of Canada (U.K.) Limited ("Sun Life (U.K.)");
- Sun Life Financial (Bermuda) Reinsurance Ltd.;

- Denticare of Alabama, Inc.;
- UDC Dental California, Inc.;
- UDC Ohio, Inc.;
- Union Security DentalCare of Georgia, Inc.;
- Union Security DentalCare of New Jersey, Inc.;
- United Dental Care of Arizona, Inc.;
- United Dental Care of Colorado, Inc.;
- United Dental Care of Michigan, Inc.;
- United Dental Care of Missouri, Inc.;
- United Dental Care of New Mexico, Inc.;
- United Dental Care of Texas, Inc.; and
- United Dental Care of Utah, Inc.

The adviser regularly exchanges investment research and economic analysis with investment personnel employed by other Sun Life Financial affiliates. Adviser may use this research and analysis in its investment decision-making on behalf of its clients. To mitigate potential conflicts of interest in the personal securities trading of the individuals who participate in these exchanges, such participants are subject to a Code of Ethics, which is described in Item 11 below. Adviser uses trade allocation procedures designed to ensure that the allocation of investment and trading opportunities is fair and equitable to all clients over time, as described in Item 11, below.

#### **Relationships with Affiliated Broker-Dealers**

Sun Life Financial owns indirectly 100% of the outstanding securities of Sun Life Financial Distributors, Inc. ("SLFD"), which is a FINRA-registered broker-dealer. SLFD is the principal underwriter for variable insurance products issued by Independence Life and is approved for wholesaling variable insurance products for the Sun Life Financial group of companies. Sun Life Financial is not currently selling variable insurance products in the U.S.

Sun Life Financial owns indirectly 100% of the outstanding securities of Edgemoor Partners LLC, which is a FINRA-registered broker-dealer. Edgemoor Partners LLC engages in the sale and marketing of investment vehicles formed to hold, manage, develop, and sell real estate properties and related interests. Edgemoor Partners LLC's customer base is comprised of institutional investors who wish to invest in real estate products.

#### **Relationships with Affiliated Investment Advisers**

As of December 31, 2016, Sun Life Financial owns indirectly approximately 94.2% of the outstanding securities of Massachusetts Financial Services Company ("MFS"). MFS is a registered investment adviser and sponsor of various investment companies.

Sun Life Financial indirectly owns 100% of Sun Life Global Investments (Canada) Inc. ("SLGI"), a fund manager that designs and manages both in-house and sub-advised investment solutions for retail and institutional investors. SLGI is registered with the securities commissions and regulatory authorities in all provinces in Canada.

Sun Life Financial indirectly owns 100% of SLIIC, a Toronto-based asset management company specialized in liability driven investing to defined benefit pension plans and other institutional investors in Canada. SLIIC is registered with the securities commissions and regulatory authorities in all provinces in Canada.

Sun Life Financial indirectly owns 100% of Ryan Labs Asset Management, Inc., a New York-based registered investment adviser specializing in liability driven investing and total return fixed income strategies for institutional clients throughout the United States, with clients consisting primarily of defined benefit pension funds. Ryan Labs is registered as a Commodities Trading Advisor ("CTA") with the National Futures Association ("NFA"). Certain employees of the Adviser also have certain responsibilities under service agreements with Ryan Labs. These employees are subject to each firm's policies and procedures with respect to firm's activities. Ryan Labs Asset Management is a member of the SLIM group of companies.

Sun Life Financial indirectly owns 100% of Prime Advisors, Inc., a Washington-based registered investment adviser specializing in property and casualty, health and life insurance companies and tax advantaged investing for certain high net worth clients. Prime offers Liability Driven Investing (LDI) strategies for insurance clients in the U.S, including affiliates of the Adviser. Prime Advisors is a member of the SLIM group of companies.

Sun Life Financial indirectly owns 100% of the "Bentall Kennedy Group", including among others (a) Bentall Kennedy (U.S.) LP ("Bentall Kennedy (U.S.)"), a Seattle-based registered investment adviser that counsels clients on their direct investments in office, industrial, retail, multi-family residential and hospitality real estate throughout the United States, and (b) BKC Capital Inc. ("BKC"), a Canadian dealer, adviser and investment fund manager that operates in Canada and provides similar services there, where it is registered as an exempt market dealer and a portfolio manager in the Provinces of Alberta, British Columbia, Manitoba, Ontario, Quebec and Saskatchewan, in addition to managing investment funds in the Provinces of British Columbia, Ontario and Quebec, where it is registered as an investment fund manager. Bentall Kennedy (U.S.) acts as a real estate investment adviser for institutional investors, such as public, corporate and Taft-Hartley retirement systems, endowments and sovereign wealth funds. Bentall Kennedy (U.S.)'s services are limited to real estate investment management and it is not involved in trading securities. Bentall Kennedy Group is a member of the SLIM group of companies.

Adviser may exchange investment research and economic analysis with research personnel employed by certain of its advisory affiliates within SLIM. Each of the advisers has developed policies and procedures to address potential conflicts of interest for their investment activities. In addition, as members of the Sun Life Financial group of companies, they will abide by the corporate policies that govern their activities and will be subject to risks and controls procedures applicable to members of the SLIM and Sun Life Financial group of companies.

## ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

### *Code of Ethics and Personal Trading*

Adviser has adopted a Code of Ethics under SEC rule 204A-1 that governs the conduct and reporting of personal securities transactions by any member of its board of managers, and any officer, employee or other access person, including consultants (collectively, "Access Persons"). Adviser's Access Persons include personnel of Sun Life Financial affiliates and external consultants who have access to information about Adviser's transactional or holdings data on behalf of clients. The Code of Ethics is designed to ensure that the valid interests of Adviser's clients always take precedence over the personal interests of Adviser's Access Persons, and to minimize conflicts with transactions and recommendations made for or on behalf of clients.

To request a copy of Adviser's Code of Ethics, please use the contact information that appears on the cover page of this Brochure.

Under the Code of Ethics, Access Persons are subject to restrictions on their personal transactions in securities.

Many of the Code of Ethics requirements relate to "reportable securities" and "reportable funds." The term "reportable securities" encompasses virtually all types of securities, excluding certain types of securities that have little or no potential to create conflicts of interest for Access Persons. Shares of money market funds, certain government securities, and mutual funds that are managed by firms not affiliated with Adviser are examples of securities that are not "reportable securities". The term "reportable funds" refers to mutual funds, other than money market funds, whose investment adviser or principal underwriter is Adviser or an affiliate of Adviser.

The Code of Ethics requires Access Persons to obtain preclearance for their personal transactions in reportable securities, with certain limited exceptions. Personal transactions include both transactions in which the Access Person has a beneficial ownership interest and transactions in any non-client account over which the Access Person has discretionary authority. Preclearance requests are evaluated to determine whether any prohibitions or restrictions apply to the proposed transactions. Once approval is granted, the transaction must be executed by the close of the next trading day.

Access Persons are generally prohibited from purchasing any security sold in an initial public offering in their personal accounts. Access Persons are prohibited from purchasing any security sold in a private placement for their personal accounts without obtaining prior approval from the Compliance Department.

Access Persons who are designated as "Investment Persons" are prohibited from executing personal transactions through investment advisers and/or bank or broker-dealer personnel whose account coverage responsibilities include the Adviser or any company in the Sun Life Financial group of companies.

Access Persons are prohibited from purchasing or selling reportable securities within seven (7) calendar days after the day on which a client of Adviser has purchased or sold such securities or equivalent securities, with certain exceptions. Access Persons who are designated as Investment Persons are prohibited from purchasing or selling reportable

securities within seven (7) calendar days before or after the day on which a client has purchased or sold the same securities.

Preclearance requests can be approved for certain de minimis transactions in exchange traded fund ("ETF") securities and other equity securities that would otherwise have been denied due to a client trade. To qualify for an exemption as a de minimis transaction, the transaction must relate to ETF securities or other equity securities of issuers with either:

- a market capitalization of at least \$10 billion and a transaction amount of \$25,000 or less; or
- a market capitalization of at least \$5 billion and a transaction amount of \$5,000 or less.

Access Persons are prohibited from profiting from the purchase and sale of the same or equivalent reportable security within 30 calendar days.

Each Access Person, upon becoming an Access Person and annually thereafter, must submit a report disclosing all reportable securities in which he or she has a beneficial ownership interest or control, and any account which can hold any reportable securities in which the Access Person has control or beneficial ownership. At the end of each quarter, each Access Person must submit a report of all reportable securities transactions in which he or she had a beneficial ownership interest or control during the quarter, and all brokerage accounts in which the Access Person had control or beneficial ownership during the quarter. At the end of the quarter, each Access Person must submit a report of all gifts and entertainment given and received during the quarter, with certain limited exceptions.

No Access Person can accept or give any gift of more than de minimis value from or to any person or entity that influences business with, or on behalf of, the Adviser. If an Access Person receives any gift that might be prohibited under this Code, that Access Person must promptly inform Compliance. No Access Person can accept entertainment (such as a meal, sporting event or other similar activity) of more than de minimis value without obtaining prior written approval under established procedures. Access Persons are not required to report entertainment given and received during regular business hours if the value is below de minimis value.

In addition, Adviser's Access Persons are subject to Sun Life Financial's Code of Business Conduct, which aims to demonstrate Sun Life Financial's commitment to conduct itself ethically. The Code of Business Conduct requires employees to, among other things, keep customers' interests always in mind, avoid conflicts of interest, maintain the confidentiality of confidential information, and report contraventions of the Code. The Code of Business Conduct also provides Access Persons the ability to report ethical breaches on an anonymous basis via a toll free number. Sun Life Financial reviews all anonymous reports and takes appropriate actions. Adviser's Access Persons are also subject to (i) Sun Life Financial's Insider Trading Policy, which seeks to protect material nonpublic information about Sun Life Financial and to prevent insider trading in Sun Life Financial stock, and to (ii) Adviser's Policy for Prevention of Misuse of Material Nonpublic Information, which seeks to protect material nonpublic information relating to companies other than Sun Life Financial, and to prevent insider trading.

Adviser has adopted the Code of Ethics for Personal Trading and Conduct for Non-Investment Executives (the "Executive Code") to complement its Code of Ethics. The Executive Code addresses situations that can be encountered by executives of Sun Life Financial Inc., and other companies affiliated with Adviser, who: (a) are not officers or employees (or similar personnel) of Adviser or members of Adviser's Board of Managers; (b) are not designated as Access Persons by the Adviser; and (c) do not ordinarily have access to the types of information that would render them Access Persons under Adviser's Code of Ethics. Adviser adopted the Executive Code to address circumstances where Non-Investment Executives, on occasion, obtain or have access to investment information that will temporarily render them Access Persons under Adviser's Code of Ethics. The Executive Code sets forth standards of conduct and governs personal trading by such Non-Investment Executives who are not otherwise determined to be Access Persons under Adviser's Code of Ethics.

#### *Allocation and Other Trading Conflicts*

Adviser's affiliated entities and their respective personnel can invest for their own accounts in securities that Adviser recommends to, or purchases or sells for, Adviser's clients. As discussed further in response to item 12 below, Adviser also can invest on behalf of its affiliated clients in securities also acquired or recommended for its other clients.

These arrangements raise the potential for conflicts of interest, particularly in areas such as allocation of investment and trading opportunities, and personal securities transactions. As discussed above, Adviser's Code of Ethics is designed to mitigate conflicts of interest that can arise in the context of personal securities trading. Adviser also utilizes trade allocation procedures designed to ensure that the allocation of investment and trading opportunities among clients is fair and equitable over time.

Adviser can, but need not, aggregate or "bunch" orders for accounts for which it has investment discretion in circumstances in which Adviser believes that bunching will result in a more favorable overall execution. Where appropriate, Adviser will allocate such bunched orders at the average price of the aggregated order.

In those instances where aggregated orders are not completely filled, Adviser and its affiliated Advisers will generally allocate the order among participating accounts pro rata on the basis of order size. Exceptions to this general rule include the following: rounding of lots to avoid creation of less liquid odd-lot holdings; the existence of limit orders that cannot be executed; cash flow considerations such as unexpected cash flows that affect the liquidity of an account; non-meaningful allocations when less than a specified amount of securities has been achieved; material allocations based on investment policy considerations; priority for accounts with specialized or concentrated investment policies; and securities designated as "new issues", which can only be allocated to certain types of accounts.

Adviser can manage numerous accounts with similar or identical investment objectives or can manage accounts with different objectives that can trade in the same securities. Despite such similarities, portfolio decisions will differ from client to client. Adviser will not necessarily purchase or sell the same securities at the same time or in the same proportionate amounts for all eligible clients. Further, in many instances, such as purchases of private placements or oversubscribed public offerings, it is typically not

possible or feasible to allocate a transaction pro rata to all eligible clients. Therefore, not all clients will necessarily participate in the same investment opportunities or participate on the same basis. Allocation for non-marketable assets is based on participation agreements which provide equal participation interest with respect to the investments. Clients receive a fair opportunity to meet their investment objective.

In allocating investments among various clients Adviser will use its best business judgment and will take into account such factors as the criteria set forth above in order to determine whether an exception to the general rule of pro rata allocation is warranted (including in what sequence orders for trades are placed). It is Adviser's policy, to the extent practicable, to allocate investment opportunities on a basis that Adviser in good faith believes is fair and equitable to each client over time.

## **ITEM 12: BROKERAGE PRACTICES**

Adviser is generally retained on a discretionary basis and is authorized to determine which securities to buy or sell (including the amount thereof) within the client's specified investment objective, and to select broker-dealers to execute portfolio transactions, without consultation with the client on a transaction-by-transaction basis. Some clients limit Adviser's discretionary authority in terms of the type or amount of securities to be bought or sold, the maximum concentration in any one company or industry, the minimum credit quality or maximum maturities for fixed income securities, the broker-dealer to be used, or the commission rates to be paid. Adviser can, but need not, select broker-dealers for accounts that are non-discretionary in nature.

Adviser's primary objective in the selection of broker-dealers is to obtain the best combination of price and execution under the particular circumstances. Best price, giving effect to brokerage commissions, if any, and other transaction costs, is normally an important factor in this decision, but the selection also takes into account the quality of brokerage services, including such factors as execution capability, willingness to commit capital, financial stability, and clearance and settlement capability. In addition, as discussed further below, the provision of research and related services can also be considered. Brokerage that is directed by the client is an exception to the guidelines discussed in this paragraph.

Where more than one broker-dealer is believed to be capable of providing the best combination of price and execution with respect to a particular portfolio transaction, Adviser can select a broker-dealer that furnishes research services. Research services acquired in the past year may have included (i) furnishing advice as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities (ii) furnishing information, analyses and reports concerning issuers, industries, securities, trading markets and methods, economic factors and trends, portfolio strategy, access to research analysts, industry experts and economists, comparative performance evaluation and technical measurement services and quotation services, and products and other services, such as third party reports and analysis, software that processes or otherwise utilizes information, including the research described above, that assist Adviser in carrying out its responsibilities and (iii) effecting securities transactions.

Research services furnished by broker-dealers can be used in servicing any or all of Adviser's clients and can be used in connection with accounts other than those that pay commissions to, or effect portfolio transactions with or through, the broker-dealer providing the research. Investment advisory fees will not be reduced as a result of Adviser's receipt of research services.

Subject to applicable interpretations of the staff of the SEC, Adviser can also participate in commission-sharing arrangements, in which Adviser places trades with one broker-dealer (the "Executing Broker"), which executes the trades and then, pursuant to an agreement with another broker-dealer who is its normal and legitimate correspondent (the "Research Broker"), shares the commissions with the Research Broker in consideration of research that the Research Broker has provided to Adviser.

If Adviser determines in good faith that the commission charged by a broker-dealer is reasonable in relation to the value of brokerage and research services provided by such broker-dealer, Adviser can cause a client account to pay such a broker-dealer an amount of commission greater than the amount another broker-dealer might charge for the same transaction. Adviser's traders consider the reasonableness of brokerage commissions on each trade.

Accordingly, transactions will not always be executed at the lowest available commission but will be within a generally competitive range for full service brokers. Adviser's view is that the broker should receive a commission that will assure its best effort, compensate it for any research or related services provided, and at the same time result in a favorable rate for the client.

Transactions in fixed income securities are generally effected on a net basis with no brokerage commission paid by the client. Subject to Adviser's primary objective of obtaining best price and execution under the particular circumstances, Adviser can place fixed income securities transactions with broker-dealers that provide Adviser with proprietary research or related services.

Adviser does not make any commitments to allocate brokerage transactions on a prescribed basis. Adviser's research staff periodically determines which brokerage research services, if any, are deemed useful in Adviser's investment advisory activities. Adviser will also periodically review the value of other services provided by its approved brokers and determine an appropriate level of execution activity related to those services.

Sometimes Adviser can receive products or services that are used for both research and other purposes, such as administration or marketing. Adviser will make a good-faith effort to determine the relative proportions of such products or services that can be attributed to research. The portion attributable to research can be paid through client brokerage commissions or new issue research credits and the non-research portion will be paid in cash by Adviser.

The provision of research services raises the potential for conflicts of interest for Adviser. The availability of research services can provide an incentive for Adviser to place trades with brokers-dealers who provide such services. As noted above, Adviser's primary objective in the selection of broker-dealers is to obtain the best combination of price and execution under the particular circumstances. Adviser has a Trading Practices Committee that periodically reviews Adviser's trading activity, including brokerage placement, the



commissions paid on trades for client portfolios and the research services received by Adviser, to assess whether Adviser's trading is consistent with this primary objective. In addition, Adviser conducts a review of brokerage policies and practices at least annually.

All new research services must be approved in advance by the appropriate Senior Managing Director and the Chief Compliance Officer.

Clients can instruct Adviser to use one or more broker-dealers in managing their accounts, even though Adviser would potentially be able to obtain a more favorable net price and execution from another broker-dealer in particular transactions. Clients who direct the use of a particular broker-dealer for transactions should understand that such direction can prevent Adviser from effectively negotiating brokerage commissions on their behalf and from aggregating orders with other clients. Thus, those clients that direct brokerage business should be aware that they can lose possible advantages that clients who do not direct brokerage may have, such as volume discounts. Further, in instances in which Adviser is bunching a trade for clients who do not direct brokerage, Adviser will normally complete such non-directed discretionary transactions before effecting transactions for the directed brokerage clients. Thus, those clients who direct brokerage do not always obtain prices for their transactions as favorable as those obtained for other clients. Those clients that direct brokerage business should also consider whether the commission expenses, execution, clearance, and settlement capabilities of the brokers to which their brokerage business is directed are comparable to those that Adviser could otherwise attain for them. Similarly, these clients can also receive less favorable execution when they direct the use of broker-dealers that are not participating or eligible to participate in a portion of a "new issue" or other opportunity that is allocated to Adviser.

In some instances a security to be sold by one client account can independently be considered appropriate for purchase by another client account. In such cases Adviser can cause the security to be "crossed" or transferred directly between the relevant accounts at an independently determined market price and generally without incurring brokerage commissions. Customary custodian fees and transfer fees can be incurred. Adviser will not, directly or indirectly, receive any compensation for such transactions. No cross transaction will be effected unless Adviser determines it is in the best interest of each account, and it is performed in accordance with Advisers' Cross Trades Policy. No cross transactions will be effected with respect to any account governed by ERISA except in accordance with applicable regulations.

### **ITEM 13: REVIEW OF ACCOUNTS**

Adviser reviews accounts with varying frequency and scope based on the type of account and the investment strategies employed for the account. Adviser's investment professionals work in teams, each of which is dedicated to a specific asset class such as derivatives or public bonds. Adviser's portfolio managers, who are titled as Managing Directors or Senior Managing Directors, are responsible for making day-to-day management decisions for their accounts in accordance with applicable investment objectives and guidelines, and for ongoing evaluation of their accounts against those parameters. The portfolio managers routinely discuss market developments, investment ideas and strategy with other investment professionals of Adviser who have appropriate knowledge of the accounts and their investment strategies. Adviser's investment teams review account performance and strategy more formally, generally on a monthly or

quarterly basis, with the content of the reviews depending on the nature of the account and any needs that have been specified by the client.

Adviser's Compliance Department, led by Adviser's Chief Compliance Officer, monitors client accounts in several different ways. The compliance team uses automated testing, manual reviews, attestations, and forensic testing. Adviser uses an electronic trade order management system, including an automated compliance module, to monitor compliance with portfolio guidelines on both pre- and post-trade bases.

Further, Adviser is responsible for oversight of the subadvisers that provide investment advisory services to Adviser's clients. Adviser's oversight program for subadvised portfolios includes compliance reports, compliance certifications, and periodic due diligence visits to the subadvisers.

Clients generally receive periodic portfolio reports, which are discussed with clients on request. The updates report the results of quantitative and qualitative reviews based on client guidelines.

#### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

Adviser does not currently have any client referral programs in place.

#### **ITEM 15: CUSTODY**

Adviser does not have custody of client assets.

#### **ITEM 16: INVESTMENT DISCRETION**

Adviser accepts discretionary authority to manage accounts on the client's behalf. Clients can, but customarily do not, place limitations on Adviser's authority. Adviser's clients are primarily affiliated institutional clients. Consequently, Adviser's policies and procedures do not include any formal intake procedures or require clients to provide any specific documentation before accepting an account. Adviser does, however, require a formal written advisory agreement to be executed by the client granting discretionary or non-discretionary authority to Adviser.

#### **ITEM 17: VOTING CLIENT SECURITIES**

In accordance with Rule 206(4)-6 under the Investment Advisers Act of 1940, Adviser has adopted Proxy Voting Policies and Procedures (the "Proxy Voting Policies") that are reasonably designed to ensure that proxies are voted in the best interests of its clients. In voting proxies on behalf of clients, Adviser will cast votes consistent with its fiduciary duty to maximize the economic value of its clients' investments.

Adviser takes responsibility for voting proxies for each client that has provided Adviser with express written authorization to do so. All proxies received by Adviser will be voted based upon Adviser's instructions and/or policies. To assist in analyzing proxies, Adviser subscribes to an unaffiliated third party corporate governance research service that provides in-depth analyses of shareholder meeting agendas, vote recommendations, record keeping and vote disclosure services.

As a general matter, Adviser will vote in accordance with the Proxy Voting Guidelines (the "Guidelines") incorporated into the Proxy Voting Policies. Adviser is not obligated to follow the Guidelines in every case, however, and a proxy proposal may receive further review, including a review for potential conflicts of interest, in circumstances where: a) the Guidelines call for case-by-case analysis; b) the Guidelines do not address the specific type of proxy proposal; or c) Adviser's investment personnel wish to vote differently than the relevant Guidelines. Adviser takes responsibility for identifying material proxy-related conflicts between the interests of Adviser and its clients, and for resolving such conflicts in the best interests of the client.

A client that has authorized Adviser to vote proxies can also direct Adviser to vote in a manner different from the Guidelines from time to time. Adviser shall follow such direction for proxies received sufficiently in advance of the relevant stockholder meeting and vote.

In addition, Adviser may be unable to vote or may determine not to vote a proxy in certain situations, such as if, in Adviser's good faith determination, the costs involved in voting the proxy outweigh the benefits to the client of voting.

Adviser takes responsibility for identifying and resolving all material proxy-related conflicts of interest in the best interests of the client. As noted above, Adviser will perform a review of proxy proposals where the Proxy Voting Guidelines either require case-by-case analysis, do not address the issues, or where Adviser wishes to vote differently from the Proxy Voting Guidelines. In those instances, a Proxy Reviewer designated by the Adviser shall review the proxy proposals to assess the extent, if any, to which there can be a material conflict between the interests of a client and any of Adviser, its affiliates, directors, officers, personnel (and other similar persons). The Proxy Reviewer will assess proxy proposals on a proposal-by-proposal basis, and an actual or potential conflict with respect to one proposal in a proxy will not indicate that an actual or potential conflict exists with respect to any other proposals in such proxy. The Proxy Reviewer will notify Compliance of any identified conflicts.

If the Proxy Reviewer determines that there is possibility that an actual or potential conflict exists, the Proxy Reviewer will refer the matter to senior management. Senior management will determine whether an actual or potential conflict exists and is authorized to resolve any such conflict in a manner that is in the collective best interests of Adviser's clients (excluding any client that may itself has a potential conflict regarding the matter). Without limiting the generality of the foregoing, a potential conflict can be resolved in any of the following manners:

1. Adviser may disclose the actual or potential conflict to the client or clients and obtain the client's written direction as to how to vote the proxy;
2. Adviser may engage an independent third party to determine how the proxy should be voted; or

3. Adviser may, where feasible, establish an ethical wall or other informational barriers between the person(s) that are involved in the potential conflict and the person(s) making the voting decision in order to insulate the decision maker from the actual or potential conflict.

Senior management will use commercially reasonable efforts to determine whether an actual or potential conflict may exist, and an actual or potential conflict will be deemed to exist if and only if one or more member of senior management actually knew or reasonably should have known of it.

Upon request, Adviser will provide each client with a copy of the Proxy Voting Policies or with information about how Adviser voted proxies for securities held in the client's account. Please direct requests to Adviser using the contact information that appears on the cover page of this Brochure.

#### **ITEM 18: FINANCIAL INFORMATION**

Adviser does not require or solicit pre-payment of fees. As a result, Adviser is not required to provide a balance sheet in response to this item. Adviser does not have any material financial impairment, and has not been subject to any bankruptcy petitions in the past 10 years.