



**Nordea Investment Management North America, Inc.**

Form ADV Part 2A

March 2017



## **Item 1: Cover Page**

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### **Nordea Investment Management North America, Inc.**

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Website: Our parent company, Nordea Bank AB (publ), has a website at [www.nordea.com](http://www.nordea.com). Nordea Investment Management North America, Inc. does not maintain a website separate from our parent company.

Date of Brochure: March 31, 2017

This Form ADV, Part 2A is our “Disclosure Brochure” or “Brochure” as required by the Investment Advisers Act of 1940, as amended (“Advisers Act”). This Brochure is a very important document between Clients (you, your) and Nordea Investment Management North America, Inc. (“NIMNAI”, us, we, our).

This Brochure provides information about the qualifications and business practices of NIMNAI. If you have any questions about the contents of this Brochure, please contact us at (212) 603-6956 and/or [lisa.ruiz@nordea.com](mailto:lisa.ruiz@nordea.com). The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or any state securities authority.

Additional information about NIMNAI also is available at the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) using the Firm Name or unique CRD number 116837.

We are a registered investment adviser with the SEC. Our registration as an investment adviser does not imply any level of skill or training.

## **Item 2: Material Changes**

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This Brochure is an update to our brochure dated March 1, 2016

Throughout the entire document, International Focus Equities is now named Fundamental Equities.

We can, at any time, update this Brochure and either send you a copy or offer to send you a copy. You may always access the most recent version of this brochure by contacting us or through the SEC's Investment Adviser Public Disclosure website (IAPD):

[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 4: Advisory Business

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### **Our Organization**

Nordea Investment Management North America, Inc. (“NIMNAI”, us, we, our) was established in 1994. Prior to November 2001, we were known as Unibank Investment Management.

NIMNAI is a direct, wholly-owned subsidiary of Nordea Investment Management AB (“NIM AB”). NIM AB is regulated by the Supervisory Authority of Financial Affairs in Sweden. The ultimate parent of NIMNAI is Nordea Bank AB (publ), a publicly traded Swedish company.

As of February 28, 2017, NIMNAI manages approximately \$1.9 billion of client assets on a discretionary basis. We do not currently manage any client assets on a non-discretionary basis, although we may manage non-discretionary mandates in the future.

NIMNAI is registered as follows:

- U.S. Securities and Exchange Commission as a registered Investment Adviser
- Ontario Securities Commission as a Portfolio Manager
- Autorité Des Marchés Financiers (Québec) as a Portfolio Manager

### **Our Advisory Services**

We offer discretionary investment management services to clients on a separate account basis in a range of products. Our primary products are equity strategies based on our Fundamental Equities and quantitative strategies managed by our Multi-Assets Group. We do not currently manage any proprietary funds.

We tailor our investment management services to the individual needs of our clients. We will work with you to tailor a specific investment mandate based on your specific needs. These will include, but not be limited to:

- Benchmarks
- Investment restrictions
- Liquidity issues
- Types of securities

#### Fundamental Equities

We offer a number of strategies based on our Fundamental Equities. These include but are not limited to:

- European Equities
- European Small-Cap Equities
- Emerging Stars Equity

Our investment management services in these strategies generally relate to long-term and short-term investments in both listed and over-the-counter foreign equity securities. These strategies do not generally invest in derivatives or similar financial instruments. However, from time to time, we may utilize derivatives and other financial instruments. Additionally, these strategies may invest in emerging markets depending upon the investment restrictions agreed upon with you.

## Multi-Assets Group

Our Multi-Assets Group manages a variety of products based on quantitative strategies. Our primary strategies from this group are:

- Global & Emerging Markets Stable Equities – a low volatility strategy
- Alpha 15 – an absolute return strategy
- Stable Return Diversified Growth – a core low tracking error strategy
- Global Dividend – a diversified global strategy focusing on total yield

Our investment management services in each of these strategies generally relate to long-term and short-term investments in exchange-listed securities, securities traded over-the-counter, foreign equity securities, corporate debt securities, U.S. government securities, option contracts on securities and commodities, futures contracts on equity indices and interest rates, contracts for differences, total return swaps, long and short positions in baskets of equities or bond issues with common characteristics, credit default swaps, pooled investment vehicles, and money market instruments. We also utilize other financial instruments and derivatives.

## Other Products

We offer a variety of other products as well. For purposes of this Brochure, we have highlighted the main products that we actively market to North American clients. However, during our discussions with you, we may become aware of a situation where another product may be more suited to your specific needs. In that case, we will discuss our other products with you to see if there is a better fit between your needs and what we can offer to you.

## Wrap Fee Programs

We do not currently participate in wrap fee programs. In the past, we have participated in wrap fee programs and may decide to do so again in the future.

## Item 5: Fees and Compensation

### General

We receive management fees for our investment advisory services. These fees are generally paid based upon a percentage of assets under management. Alternatively, we may be paid fees based on a negotiated fixed fee. Additionally, we may also charge a performance-based fee based on a share of the capital gains or capital appreciation of the client's assets. Performance-based fees are typically charged on Alpha 15 strategy but may be charged on other strategies as well.

Fees are negotiable depending upon the particular client's growth schedule and required level of services. Fees vary depending on the type of investment strategy pursued by the client. Our standard fee schedule is as follows:

### Standard Fee Schedule

#### European Equities

First \$50 million	0.85%
Next \$50 million	0.80%
Amount over \$100 million	0.75%

#### European Small-Cap Equities

First \$50 million	1.10%
Next \$50 million	1.00%
Amount over \$100 million	0.90%

#### Emerging Stars Equity

First \$50 million	1.00%
Next \$50 million	0.90%
Amount over \$100 million	0.80%

#### Global Dividend

First \$50 million	0.85%
Next \$50 million	0.75%
Amount over \$100 million	0.70%

#### Global Stable Equities

First \$50 million	1.70%
Next \$50 million	1.50%
Amount over \$100 million	1.40%

#### Emerging Markets Stable Equities

First \$50 million	0.85%
Next \$50 million	0.75%
Amount over \$100 million	0.70%

#### Stable Return Diversified Growth

First \$50 million	1.00%
Next \$50 million	0.90%
Amount over \$100 million	0.80%

#### Alpha 15<sup>1</sup>

First \$50 million	1.50%
Next \$50 million	1.25%
Amount over \$100 million	1.00%

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<sup>1</sup> Alpha 15 mandates may include a performance-based fee generally calculated as 20% of the annual net profits above a hurdle.

## Minimum Account Size and Fees

All accounts are subject to a minimum initial investment of \$50 million. Exceptions can be made on a case-by-case basis in our sole discretion.

## Payment Mechanics

In most cases, we will invoice you on a quarterly basis for our fees, in arrears. Fees are payable within 30 days of your receipt of the invoice. Performance-based fees are normally invoiced on an annual basis in arrears.

You may also elect to have us send an invoice to the custodian of your account. The custodian will not validate or check our fee or its calculation. The custodian will deduct the fee from your account or, if you have more than one account, from the account(s) you have designated to pay our advisory fees. Each month, you will receive a statement directly from your custodian showing all transactions, positions, and credits or debits into or from your account; the statements you receive at quarter-end will reflect these transactions as well, including the advisory fee paid by you to us. Upon request, we also will send a copy of the invoice to you at the same time as we send it to the custodian.

There are many ways to structure the mechanics of fee payment. We will discuss the payment mechanics and agree on the specific billing protocol at the outset of the relationship, including the valuation of the assets upon which the fee will be based.

## Other Fees and Expenses

In addition to management or advisory fees payable to us, you will pay brokerage and other transactions costs and certain other fees and expenses. You can read more about our brokerage practices in Item 12.

The following list of fees and expenses are what you may pay to third parties in connection with the management of your account. These fees and expenses may be charged whether a security is being purchased, sold or held in your account(s) under our management. We do not receive, directly or indirectly, any of these fees and expenses charged to you. The fees and expenses include, but are not limited to, the following:

- Brokerage commissions
- Transaction fees
- Exchange fees
- SEC and other regulatory fees
- Advisory fees and administrative fees charged by mutual funds or exchange traded funds
- Advisory fees charged by sub-advisers, if any
- Custodial fees
- Odd-Lot differentials





- Transfer taxes
- Wire transfer and electronic fund processing fees
- Mark-ups / mark-downs on securities transactions

In addition, we do not have any employees that receive (directly or indirectly) any compensation from the sale of securities or investments that are purchased or sold for your account. We do not receive any compensation, either directly or indirectly, other than the amount that will be invoiced for management or advisory fees and for performance-based fees, as applicable.

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

As noted in Item 5, we generally receive either a flat or asset-based management fee from each client account. On some client accounts we also receive a performance fee that is based on a share of the capital gains or capital appreciation of the client's assets.

Management of both accounts subject to a performance fee and accounts not subject to a performance fee, also called "side-by-side management," raises potential conflicts of interest. One such conflict is that we have a financial incentive to favor those client accounts for which we receive a performance fee. We can earn more fee income if we place more profitable trades to those accounts that pay performance-based fees while allocating less profitable trades to accounts that do not pay a performance-based fee.

We have policies and procedures in place to ensure that accounts that pay performance-based fees and those accounts that do not charge performance-based fees are treated in the same manner. Our trading procedures are based upon a principle of equal treatment of clients. Throughout the order generation and trading process we strive to secure an equal treatment of clients regardless of the method of fees we are charging. This is achieved through a number of controls and mitigation steps.

Some of the controls and mitigation steps may include but are not limited to:

- In general, we mainly charge a performance-based fee only on Alpha 15 clients, which invest in a different universe than our other accounts.
- There is a segregation of duties between client service, portfolio management, implementation, and trading personnel.
- We generally issue orders on a model portfolio basis with all clients within the model being treated equally (unless there are specific client guidelines or restrictions).
- Deviations between portfolios are handled by our Implementation Team only as required by restrictions set by the client in the investment guidelines.

## Item 7: Types of Clients

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We provide investment management services to North American institutional clients, who may include, but are not limited to:

- Banks or thrift institutions
- Investment companies
- Private and public retirement funds
- Unions
- Endowments
- Foundations
- Trusts
- Estates
- Charitable organizations
- Insurance companies
- Corporations
- Other business entities

In addition, while we do not do so currently, we may in the future provide investment management services to mutual fund sponsors on a sub-advisory basis and may participate in selected wrap account programs.

In general, our minimum initial investment is \$50 million. Exceptions can be made on a case-by-case basis in our sole discretion.

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

### **Methods of Analysis**

We utilize different strategies for our different investment products. The method of analysis is different for each product. Please see below for the specific methods for each product.

### **Investment Strategies**

The major investment strategies utilized by NIMNAI are as follows:

#### Fundamental Equities

The investment process for our Fundamental Equities is based upon identifying long-term structural changes and the resulting investment themes. We have identified three main structural changes which create both challenges and opportunities for companies. We believe that companies with sustainable competitive advantages that benefit from the structural changes we have identified can achieve superior cash flow growth over a prolonged period of time. We perform thematic research that focuses on these structural changes and those companies that can benefit from such structural changes.

We perform our equity research by using a research matrix. In this matrix, each investment professional has multiple responsibilities, such as thematic research, sector responsibility, and stock specific responsibility. Our long-term structural growth trends are used as filters on the investment universe. We believe in being long-term investors focusing on structural changes and employee a fundamental bottom-up proprietary investment process. Risk control plays an essential part in constructing client portfolios.

Sources of information for analysis in both structural growth and company research include, but are not limited to, the following:

- Financial newspapers & magazines
- Inspections of corporate activities
- Research materials prepared by others
- Corporate rating services
- Annual reports
- Prospectuses and other corporate filings
- Company press releases
- Third party data providers, such as Datastream and Bloomberg
- Meetings with corporate officers

#### Multi-Assets Group

Strategies managed by our Multi-Assets Group are quantitatively based.

## ***Global Stable Equities & Emerging Markets Stable Equities***

Implementing fundamental insights using quantitative models, our Global Stable Equities and Emerging Market Stable Equities teams currently evaluate stocks globally in an attempt to find those that offer more stable returns with lower risk versus the market. This investment philosophy is supported by in-depth academic and empirical research and is combined with a disciplined risk control process with fundamental oversight of the model's output. The team is supported by the Implementation Team, which utilizes multiple advanced trading techniques.

## ***Alpha 15***

The Alpha 15 strategy is managed based on the belief that it is possible to exploit market inefficiencies when financial market valuations have moved away from their trend or where information asymmetries are present. These inefficiencies are a result of human behavioral and institutional factors, including different reactions to news flow, multiple investment objectives and varying levels of risk aversion. All of these factors are likely to be persistent, which gives us confidence that there is considerable scope for the active management approach to continue to add value in the future.

## ***Stable Return Diversified Growth***

The Stable Return Diversified Growth strategy derives investment returns from exposure to a broad range of diversified return drivers through liquid total and absolute return strategies. The approach has no benchmark constraints and therefore does not take relative bets. The strategy aims to provide positive returns in all market environments based on active asset allocation and paper selection.

## ***Global Dividend***

The Global Dividend strategy focuses on total yield, investing in companies that return excess capital through dividends and share buybacks. However, we believe that it is not enough to look at only these factors, as controlling for quality and sustainability of capital return is also key to successful investments. The strategy does not have regional constraints and seeks attractive total yield globally, both in developed and emerging markets. The Global Dividend strategy is based on a strong proprietary quantitative process supplemented by a fundamental review of companies. This yields a diversified global portfolio.

## **Risk of Loss**

All investments in securities include a risk of loss of your entire principal and any profits that have not been realized. You should be prepared to bear this risk of loss. Markets do fluctuate substantially over time. In addition, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets we manage that are out of our control. We cannot and

do not guarantee any level of performance or that you will not experience a loss of your account assets.

## Material Risks

Set forth below are some of the material risk factors that are associated with the Fundamental Equities and the Multi-Assets Group investment strategies offered in NIMNAI. The information included in this Brochure does not include every potential risk associated with each investment strategy or applicable to a particular strategy or investment product.

### General Risks

The following are associated with the strategies in both the Fundamental Equities and the Multi-Assets Group:

- *Risks of Equities* – A risk of investing in equity securities is that they can decline in value due to factors affecting equity securities markets generally or particular industries represented in those markets. The values of equity securities often decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They will also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. In addition, securities which we believe are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame we anticipate. As a result, your portfolio can lose all or substantially all of its investment in any particular instance.
- *Risks of Non-U.S. Securities* – Investments in non-U.S. securities will involve risks due to non-U.S. economic, political and legal developments, including changes in currency exchange rates, exchange control regulations, expropriation, nationalization or confiscatory taxation of assets, political changes, diplomatic developments and difficulty in obtaining and enforcing judgments against non-U.S. entities. Issuers of non-U.S. securities are not necessarily subject to the same degree of regulation as U.S. issuers, and are subject to different, often less comprehensive accounting, custody reporting and disclosure requirements than U.S. issuers.
- *Emerging Markets* – Risks are heightened for securities of emerging market countries. The securities, derivatives and currency markets of emerging market countries are generally smaller, less developed, less liquid and more volatile than the securities, derivatives and currencies of the U.S. and other developed markets, and disclosure and regulatory standards in many respects are less stringent. Furthermore, emerging market countries are more likely than developed market countries to experience political uncertainty and instability. The risks associated with investments in non-U.S. securities

(described above in “General Risks”) are especially pronounced in the case of emerging market investments.

- *Smaller Company Risk* – Certain strategies invest in securities of companies with smaller market capitalization. Investments in smaller companies generally involve higher risks because they often lack the management experience, financial resources, product diversification and competitive strength of larger companies. Additionally, these types of investments are subject to increased liquidity and market risk, as their securities are often less widely held, trade less frequently, and their market prices fluctuate more than companies with larger market capitalizations.
- *Currency Risk* – Changes in the value for investments in a portfolio that are denominated in currencies other than the base currency will fluctuate along with currency values, which are influenced by factors such as trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. In the case of hedging positions, currency risk includes the risk that the currency to which your portfolio has obtained exposure declines in value relative to the currency being hedged.
- *Over-the-Counter Risk* – Some strategies trade in over-the-counter markets or invest in over-the-counter contracts. These investments are subject to the risk that the counterparty to the trade or contract may fail to comply with the terms of the trade or contract. Additionally, because over-the-counter trades or contracts are individually negotiated with a specific counterparty, there is the risk that the parties may interpret contractual terms differently. Over-the-counter contracts can be difficult to value and are therefore subject to the risk of mispricing or improper valuation. These investments are subject to greater risk of potential illiquidity.
- *Key Individuals* – Due to the in-house development of our current quantitative models, you are dependent upon the expertise of certain key individuals. There can be no assurance that these key individuals will continue to be associated with NIMNAI for any length of time. The loss of the services of one or more of these key individuals could have an adverse impact on your portfolio.
- *Leverage* – Certain strategies borrow money or trade on margin to leverage the strategy’s return. While gains made with borrowed funds generally can cause your portfolio’s value to increase faster than without the use of borrowed funds, if the value of the securities purchased with the borrowed funds declines, or does not appreciate sufficiently to cover the costs of borrowing, your portfolio’s value will decrease faster and more significantly than without the use of borrowed funds. Some strategies also use various financial instruments, including derivatives, to achieve leverage.

- *Short Sales* – Certain strategies can sell a security that we do not own and have to buy it back later. We do this expecting to buy it later at a lower price. However, if the price rises, we will have to buy it later at a higher price. Due to unlimited price gains that a security can achieve, the losses on a short sale are potentially unlimited.
- *Liquidity Risk* – Liquidity risk exists when securities, which at certain times for a number of reasons, are not readily available to buy or sell. Limitations on the liquidity of securities in a portfolio could prevent a successful sale of such securities, result in the delay of a sale, or reduce the amount of proceeds that might otherwise be realized. Less liquid securities also can fall in price more than other securities during periods when markets decline generally.
- *Credit Market Illiquidity* – The credit markets have recently experienced a significant lack of liquidity. While lack of liquidity may create opportunities to acquire assets at prices that we believe are attractive, it creates a number of risks. Credit markets may experience further periods of significant illiquidity and volatility in the future. It is also possible that illiquidity in the market could cause prices to decline further, which may have the result of forcing us to sell assets to satisfy requirements under our borrowing arrangements or to meet margin calls, which could, in turn, create further downward price pressure. If there is a substantial decline in the market value of a portfolio's investments, investments may need to be liquidated quickly.
- *Legal and Regulatory Changes* - Legal, tax and regulatory changes could occur that may adversely affect your portfolio. New or amended laws or regulations may be imposed by the CFTC, the SEC, the U.S. Federal Reserve or other banking regulators, other U.S. or non-U.S. governmental regulatory authorities or self-regulatory organizations, including entirely new entities, that supervise the financial markets that could adversely affect a client's account. In particular, these agencies are empowered to promulgate a variety of new rules pursuant to recently enacted financial reform legislation in the U.S.. A client's account may also be adversely affected by changes in the enforcement or interpretation of existing statutes and rules by these governmental regulatory authorities or self-regulatory organizations. The regulatory environment for private funds is evolving, and changes in the regulation of private funds may adversely affect the value of the investments held by your portfolio and NIMNAI's ability to execute its investment strategy. The CFTC, the SEC, the Federal Deposit Insurance Corporation, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies.

The U.S. government has enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act which includes provisions for regulation of private funds and financial institutions. Because the legislation leaves much to rule making, its ultimate impact remains unclear. The regulatory changes could, among other things, restrict NIMNAI's



ability to execute its investment strategies and/or impact the costs of such investment strategies, and we may be unable to generate investment returns as a result.

It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any of the proposals will become law. Compliance with any new laws or regulations could be more difficult and expensive and may affect the manner in which we conduct business. Furthermore, new laws or regulations can increase taxes or other costs in a client's account.

## Fundamental Equities

The additional material risks associated with our Fundamental Equities strategies are as follows:

- *Focused Investments* – The strategies in Fundamental Equities invest in securities which are focused on a particular geographic region, sector or in industries with high positive correlations to one another. This may cause a portfolio to be particularly vulnerable to events which affect those regions, sectors or industries.
- *Regional Concentration* - Certain strategies within Fundamental Equities carry a regional concentration greater than is typical within a more diversified strategy. This means that the strategy concentrates its holdings geographically. This carries the additional risk that the strategy is more volatile than a strategy that invests in a broader geographic allocation. Additionally, there is the added risk that the strategy will be more influenced by market returns and macro-economic factors of a geographic region than a strategy that is invested in a broader geographic range.
- *Sector Concentration* – Certain strategies within our Fundamental Equities carry a sector concentration greater than is typical within a more diversified strategy. This means that the strategy concentrates its holdings within fewer sectors or within sectors at a higher allocation than a more diversified portfolio or the benchmark. This carries the additional risk that the strategy is more volatile than a strategy that invests in a broader range of sectors. Additionally, there is the added risk that the strategy will be more influenced by market returns and macro-economic factors of a few select sectors than a strategy that is invested in a broader range of sectors.

## Multi-Assets Group

The additional material risks associated with our Multi-Assets Group strategies are as follows:

- *Corporate Debt* – Some strategies under our Multi-Assets Group invest in corporate debt securities. The value of these investments will change as interest rates fluctuate, and prices of long-term debt obligations generally fluctuate more than prices of short-term debt obligations generally fluctuate more than prices of short –term debt obligations. Investments in corporate debt are also subject to credit risk, which relates to financial strength and solvency of the issuer, and the issuer's ability to make scheduled contractual

payments of principal and interest. In addition, the value of corporate debt can decline significantly due to a reduction in market demand.

- *No Ratings* – Certain strategies in the Multi-Assets Group invest in securities that do not have established rating criteria, including low-rated or unrated debt securities. The lower rating of debt securities reflects a greater possibility that adverse changes in the financial condition of the obligor or changes in general economic or regulatory conditions may impair the ability of the obligor to make payment of principal and interest. Additionally, low-rated or unrated debt securities are often less liquid and are subject to greater credit risk than higher-rated debt securities.
- *U.S. Government Securities* – U.S. government securities are subject to interest rate, credit and market risk. The value of these investments will change as interest rates fluctuate, and prices of long-term debt obligations generally fluctuate more than prices of short-term debt obligations. U.S. government securities are subject to varying levels of credit risk depending on whether the securities are supported by the full faith and credit of the U.S., supported by the ability to borrow from the U.S. Treasury, or supported only by the credit of the issuing U.S. government agency, instrumentality or corporation.
- *Derivatives and Counterparty Risk* – Some strategies for the Multi-Assets Group invest in derivative instruments, which involve risks different from, and potentially greater than investing directly in securities and more traditional assets. These risks include market risk, management risk, documentation risk in the case of over-the-counter derivatives, liquidity risk, leverage risk, and the risk of mispricing or improper valuation. Additionally, investments in derivative instruments are subject to counterparty risk, which is the risk that a loss may be sustained as a result of the failure of the other party to a derivative to comply with the terms of the derivative contract.
- *Pooled Investment Vehicles* – Investments in pooled investment vehicles often involve a layering of fees and other costs. In addition, investment decisions of such vehicles are made by their investment advisers independently of us and each other.
- *Quantitative Strategy* - The success of a quantitative based strategy relies on the effectiveness of the quantitative model. There can be no assurance that the quantitative models used will achieve the desired results, and may cause your portfolio to incur significant losses.

If you wish to understand more about our investment strategies for a product not addressed in this document, along with the risks associated with any such product, please feel free to contact us.



## **Cash Management**

Cash balances can be maintained in cash or cash-like investments in an account designated by you at the onset of the client relationship. We do not render advice with respect to cash or cash-like investments but will reach agreement with you as to how cash will be invested.

## **Item 9: Disciplinary Information**

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As of the date of this Brochure, NIMNAI and its management persons have not been involved in any legal, financial or other disciplinary events that are material to your evaluation of us.

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

Our ultimate parent company is Nordea Bank AB (publ), a Swedish publicly traded company. Nordea Bank AB (publ) is a diversified financial company that operates with many subsidiaries performing many services that a typical financial services company would perform. These include but are not limited to:

- Broker-dealer
- Investment company
- Investment adviser
- Financial planning
- Banking
- Insurance company

### **Material Relationships**

We have an arrangement with NIM AB, which conducts an investment advisory business based outside the U.S., pursuant to which NIM AB provides certain investment advisory and administrative services. NIMNAI compensates NIM AB for the services provided to NIMNAI. The fee paid to NIM AB is paid by NIMNAI and not NIMNAI clients. The advisory fee paid by NIMNAI clients is the same fee as would exist if NIMNAI was not paying NIM AB for the services provided to NIMNAI. This relationship and division of responsibilities between us and NIM AB is transparent to you as the client. We assume full responsibility for the activities of NIM AB on behalf of our clients. NIM AB is registered with the Swedish Financial Supervisory Authority and not registered with the SEC.

Research concerning trends in interest rates, exchange rates, national economies and industry sectors and particular securities is exchanged between NIMNAI and NIM AB.

NIMNAI relies in part on investment advice provided by NIM AB. NIMNAI treats NIM AB as a “participating affiliate” in connection with its provision of investment advice to us. Certain personnel of NIM AB are considered “associated persons” of us, as they are involved in or have access to our advisory activities. All of our associated persons are under the overall supervision of our Board of Directors in respect of their work for us and you.

We do not believe that any other relationship with an affiliated company is material to you or your ability to evaluate us.

### **Other Activities and Affiliations**

NIMNAI conducts an investment advisory business in both the United States and Canada. We are registered as follows:

- U.S. Securities and Exchange Commission as a Registered Investment Adviser

- Ontario Securities Commission as a Portfolio Manager
- Autorité Des Marchés Financiers (Québec) as a Portfolio Manager

## **Board of Directors**

The NIMNAI Board of Directors contains Directors that are employed by or otherwise associated with NIMNAI's advisory affiliates and these Directors may also serve on Boards for other Nordea affiliated entities. The Board of Directors of NIMNAI receives no additional compensation related to their NIMNAI Board service.

The service of Directors on other Nordea related entities creates potential conflicts of interest, primarily the risk that such Directors might favor the overall needs and goals of the other Nordea entity over NIMNAI. The Nordea Group through its policies, procedures, and governance has taken steps to mitigate this risk.

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

### **Summary of Code of Conduct**

The purpose of our Code of Conduct (“Code”) is to ensure a sound ethical culture and the management of important conflicts of interest. Our Code regulates the following areas:

- Roles and responsibilities
- Vision and Mission
- Personal Account Dealing
- Insider Information
- Confidential Information and Secrecy
- Anti-Bribery and Corruption
- Political Contributions
- External Engagements
- Rules of Mandatory leave
- Raising Your Concerns
- Sanctions

Our Code establishes standards and procedures for handling conflicts of interest and preventing abuse of the fiduciary duties that we have as an investment adviser, and it provides a general framework for a sound ethical culture. Our Code is based on the principle that the employees who provide services to our clients or who in the course of their duties obtain information regarding your investment transactions owe a fiduciary duty to you to conduct their personal securities transactions in a manner that does not interfere with your transactions or otherwise take unfair advantage of their position. Employees are expected to adhere to this general principle as well as to comply with all of the specific provisions of our Code. Employees shall place the interests of our clients first and the interests of NIMNAI second, before their own personal interests. Technical compliance with our Code will not automatically insulate any employee from scrutiny of transactions that show a pattern of compromise or abuse of the individual’s fiduciary duties to our clients. Accordingly, employees must seek to avoid any actual or potential conflicts between their personal interests and the interests of our clients.

As part of our Code, employees personal trading is limited by certain rules and procedures established in our Code. In addition, employees must pre-clear all trades (except investment funds and insurance funds). In general, employees are not allowed to make opposite trades in the same security within a one month period.

Responsibility for the maintenance and administration of our Code rests with our compliance officers.

This is a brief summary of our Code and a copy of the entire Code is available upon request.

## **Side-by-Side Management**

Please see Item 6 for a description of potential conflicts of interest resulting from side-by-side management.

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

Our officers and employees and our affiliates and their officers and employees, may have purchased or sold securities, or may subsequently purchase or sell for their account, securities which may be recommended to you, purchased by you, or sold to you. Any such transactions are subject to the guidelines and procedures described below under “Personal Trading.”

We do not engage in principal transactions with your account. In the event that we decide to engage in principal transactions in the future, we will comply with all relevant securities laws and regulations, including by disclosing such transactions to you and seeking your prior consent when required by law to do so.

NIMNAI and its affiliates from time to time, on behalf of your portfolio, effect transactions (known as “cross trades”) in which NIMNAI or one of its affiliates also is acting for other parties (including, without limitation, other portfolios, funds or pooled investment vehicles established or advised by NIMNAI or its affiliates) on the other side of the same transaction (including circumstances where NIMNAI or one of its affiliates acts as broker for both sides of the transaction), including swap transactions, and can have a potentially conflicting division of loyalties and responsibilities regarding your portfolio and the other parties to the transaction. These transactions are performed through unaffiliated brokers or through a related broker. If done through a related broker, no commission will be charged.

## **Personal Trading**

Our compliance officers have oversight responsibility with respect to trading conducted by our employees and associated persons for their personal accounts. In addition, we have adopted, and all of our officers, employees and associated persons are subject to, written guidelines restricting the ability of our personnel to trade in their personal accounts or accounts over which they have control. These guidelines generally require that such trading be conducted for investment rather than speculative purposes, and in a manner consistent with our actions on behalf of clients. Our portfolio managers and employees are required to give precedence to client orders over orders for their own accounts. In addition, these guidelines generally require pre-clearance from compliance officers for employee transactions.

Compliance officers will take a number of steps in deciding whether to grant approval of an employee seeking pre-clearance of a transaction. These include but are not limited to:

- the possibility of receiving insider information;
- the holding period of the security;



- whether the person making the proposed transaction is likely to benefit from transactions made or being considered for client(s);
- the risk of a conflict of interest being present;
- the likelihood the transaction will adversely affect a client;
- whether the amount or nature of the transaction or person making it is likely to affect the price or market for the security.

## Item 12: Brokerage Practices

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In our investment advisory business, we have discretion as to securities to be bought and sold, and the amount thereof, unless otherwise agreed to by us and you. Except for any such investment restrictions and policies as may be established by you and agreed to by us, there will generally be no limitation on our authority to determine, without obtaining specific consent from you, the following:

- securities to be bought and sold;
- amount of the securities to be bought and sold;
- broker-dealer to be used;
- commission rates to be paid.

We do not expect to have any general obligation to deal with any particular broker or group of brokers in effecting transactions unless the transactions are directed by clients, which are put in place from time to time by NIMNAI clients. In providing services to our clients, we seek best execution for your transactions; not necessarily the lowest price, but the best overall qualitative execution. While it is our policy to seek best execution, there can be occasions where the transaction costs charged by a broker is greater than those which another broker charges. In these situations, it is based on our good faith determination that the amount of such transaction cost is reasonable in relation to the value of the brokerage and research services provided by the executing broker. We believe that we are able to negotiate costs on client transactions that are competitive and consistent with our execution policy.

We conduct a semi-annual qualitative broker review. Brokers are reviewed on factors including, but not limited to, the following:

- execution capability and quality;
- liquidity and first call;
- IPO and placings;
- account coverage.

In addition, we continuously review execution quality and cost through daily monitoring and transaction cost analysis.

Our execution arrangements and the above mentioned reviews are reported to the Best Execution Committee, which meets quarterly.

We select different brokers for each country and market and we select more than one broker in each such country and for each such market, all to support best possible execution for our clients. Orders are allocated in accordance with our Order Execution Policy. We maintain a universe of approved brokers. These have all been through an approval process with assessment of their execution policy, credit quality, due diligence of the broker and review of their terms of business.

We will add brokers on an ad-hoc basis if we feel it is to our and your benefit to do so, and all approved brokers have their basis for approval reviewed at least semi-annually.

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

Certain investment strategies do receive research and research related services other than execution from a broker-dealer or a third party in connection with your securities transactions (i.e., soft dollar benefits). When we use your brokerage commission (or markups or markdowns) to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research, product or service. In receiving soft dollar benefits, we can have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other product or service, rather than on your interest in receiving the best price

Consistent with our best execution policy and Section 28(e) of the Securities Exchange Act of 1934, we give consideration to the research, statistical and other services furnished by brokers. These brokerage and research services can include:

- 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;
- furnishing analyses and reports concerning issuers, particular industries and companies and economic surveys and analyses;
- portfolio strategy;
- the performance of accounts;
- effecting securities transactions;
- any other items which provide lawful and appropriate assistance to us in the performance of our responsibilities to our clients.

Our current practice is that we do not use client brokerage commissions to obtain third party services. For investment strategies where we are obtaining research and research related services other than execution from a broker-dealer or a third party in connection with the investment service we provide you, they will be funded through dedicated research budgets, which are determined on an annual basis per investment strategy and allocated to each client pro-rata based on assets under management (AuM) share. The research cost is charged alongside transactions with selected commission sharing brokers, directly to clients and is entirely separated from the execution cost. The research cost versus budget is monitored on an ongoing basis and in case the budget to date has been charged to clients, trading will move to execution only.



We are obtaining research services directly from brokers with what you have been charged in research. We use the research in providing advisory services to all client accounts in these strategies and make no effort to allocate benefits to client accounts proportional to the amount of brokerage commission paid. One of the factors in our broker review is the quality of research provided by the broker and the degree to which it assists in order to add value in our investment process. We are currently only receiving research provided by specific brokers in exchange for brokerage commissions paid to such brokers. However, we may decide in the future to receive other benefits as well, as long as the benefits adhere to our policy of best execution.

## **Brokerage for Client Referrals**

When selecting broker-dealers, we do not consider whether we or a related person receives client referrals from a broker-dealer or third party. Related persons may have agreements in place to use broker-dealers for client referrals. However, we do not compensate any broker for client referrals. Additionally, no related person compensates any person for client referrals to us. In the past, we have had a compensation arrangement for client referrals and may decide to do so again in the future. We will notify you in the event we implement any such compensation arrangement.

## **Directed Brokerage**

We do not encourage you or our other clients to require us to direct brokerage to specific brokers. However, we do understand that in certain circumstances you may wish to have us direct a certain amount of brokerage to specific brokers for reasons specific to your circumstances. We generally will accept a certain amount of directed brokerage. We do require that any agreement between us and you to direct brokerage to certain brokers be in writing.

You should be aware that any directed brokerage may not result in best execution for your transactions. We may be unable to achieve the most favorable execution of your transactions and it may cost you more money. For example, in a directed brokerage account, it is likely that you will pay higher brokerage commissions because it is unlikely that we will be able to aggregate orders to reduce transaction costs. Additionally, since your transactions will be more likely to be executed after our other clients, you may receive a less favorable price.

## **Order Aggregation**

We aggregate orders provided that in our judgment, doing so will result in an overall benefit to our clients and is consistent with our policy of best execution. No client will be favored over any other, and all accounts that are part of the aggregated order will receive the average price of the aggregated order, as well as a pro-rata portion of transaction costs. All aggregated orders that are filled in their entirety will be allocated based upon an allocation statement. Partially filled orders will be allocated on a pro-rata basis based upon the allocation statement. If allocation on a pro-rata basis is not possible, then another method will be used for allocation so that all of the partially filled non pro-rata allocations taken as a group represent a fair and equitable allocation among all accounts.

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

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We will generally provide written reports describing your investment portfolio and performance on a quarterly basis. Client reports typically contain market commentary, portfolio holdings, portfolio transactions, commentary as to portfolio transactions during the recent period, commentary relating to investment performance, and a portfolio outlook. However, the specific nature of client reporting varies from client to client and will be agreed upon at the onset of the client relationship. During the process of preparing your report, a client service professional will review your account.

Your account will be assigned a specific investment professional and a back-up investment professional. This investment professional will be responsible for implementing and reviewing your investment account on an ongoing basis.

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

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We do not, either directly or indirectly, compensate anyone for client referrals. Additionally, no related person compensates any person for client referrals to us. We also do not receive any economic benefit, including sales awards or prizes, from a person who is not a client for providing advisory services to clients.

In the past, we have had a compensation arrangement for client referrals and may decide to do so again in the future. We will notify you in the event any such arrangement is implemented.

## Item 15: Custody

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We do not have custody of any client funds or securities.



## **Item 16: Investment Discretion**

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In our investment advisory business, we have discretion as to securities, and the amount thereof, to be bought and sold unless otherwise agreed to by us and you. Except for such investment restrictions and policies as may be established by you and agreed to by us, there will generally be no limitation on our authority to determine, without obtaining specific consent from you, the following:

- Securities to be bought and sold
- Amount of the securities to be bought and sold
- Broker or dealer to be used
- Commission rates to be paid

We will enter into an investment advisory agreement with you pursuant to which you will grant us discretionary trading authority. If there are any investment restrictions or guidelines that are mutually agreed to by you and us, we will include those restrictions or guidelines in the investment advisory agreement.

## **Item 17: Voting Client Securities**

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We do not generally accept authority to vote proxies. You should receive proxies and other solicitations directly from your custodian or transfer agent. If you contact us, we will assist you if you have questions about a particular solicitation.

In certain instances, we can accept authority to vote client securities. In such cases, we will retain the services of a third party vendor to provide research, recommendations, and proxy voting services. A summary of our Proxy Voting Policy and Procedures is below.

It is our policy that all proxies for which we have authority to vote shall be voted in a manner consistent with the best interest of the client. In no way shall our interests or the interests of any affiliated companies be considered in the analysis of a proxy proposal. The best interest of each client shall be defined as the interest that we believe will maximize investment returns to our client, unless such client has expressed a socially responsible philosophy. In such a case, the socially responsible interests of the client shall be factored into the decision according to the guidelines set forth by the client and recorded in our proxy voting system.

You shall have the option to instruct us on a proxy proposal. We shall vote the proposal as you direct, even if such instruction is opposite the manner in which we will be voting the proposal for our other clients. You may direct us to vote on a specific proposal by notifying your client manager in writing. Our Proxy Voting Policy and Procedures shall in no way obligate us to deliver proxy materials to you.

Our policies and procedures have been designed to minimize the potential for a conflict of interest to arise in the voting of proxies on behalf of our clients. We believe that one way to minimize any material conflicts of interest is by having a predetermined policy for voting proxies. All proposals will be reviewed by the relevant portfolio manager (the portfolio manager with responsibility for the company in question), to ensure that voting in accordance with the predetermined policy is appropriate. When it is determined that a change from the predetermined policy is warranted, the relevant portfolio manager shall briefly explain the issues behind the recommended vote, which shall be transmitted to our third party vendor for inclusion into the proxy voting system. The decision on how to vote the proposal will be made without regard to our best interests or the best interest of our affiliated companies. In such a case where a conflict has been identified, the proxy must be voted in accordance with the predetermined proxy voting guidelines.

All proxy decisions shall be implemented by our third party vendor, with oversight by us. Implementation and record keeping responsibility has been outsourced to the third party vendor.



Our clients generally receive an annual report regarding how we have voted proxies on their behalf. You may request reporting on a more frequent basis. Additionally, you may also request an ad-hoc report. You can make such a request by contacting your client service representative.

This is a summary of our Proxy Voting Policy and Procedures. The full Proxy Voting Policy and Procedures are available upon request.

## **Item 18: Financial Information**

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We do not charge or solicit pre-payment of \$1200 or more in fees per client six or more months in advance.

Additionally, we are not aware of any financial condition that currently exists that would be reasonably likely to impair our ability to meet our contractual commitments to you or our other clients.

## **Item 19: Requirements for State-Registered Advisers**

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We are not registered with any state securities authorities.