

# **Disclosure Brochure**

as of September 28, 2017

## **MetLife Investment Advisors, LLC**

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**Item 2: Summary of Material Changes**

MetLife Investment Advisors, LLC (“MLIA”) filed its last annual amendment on March 27, 2017. The following material changes occurred since MLIA’s last annual amendment filing.

- Certain of MLIA’s investment personnel are also registered with MetLife Investments Securities, LLC (“MISL”), a broker-dealer. Additional information about MISL is disclosed in response to Item 10.

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#### **Item 4: Advisory Business**

MetLife Investment Advisors, LLC (“MLIA” or “we”) was founded in 2006 and is a wholly-owned subsidiary of MetLife, Inc. (together with its subsidiaries, “MetLife”), a publicly held company.

MLIA’s investment management services include real estate equity investments, real estate debt investments, public fixed income securities, private fixed income obligations, index strategies, capital markets; and alternative investments. In addition, MLIA provides investment management services to its affiliates, which includes: managing assets for (and providing investment advice to) insurance company and non-insurance company affiliates utilizing a variety of asset classes, managing internal fund of funds vehicles that invest in private equity funds and hedge funds. Participation in these funds of funds is currently limited to certain MetLife non-U.S. insurance company affiliates, and acting as investment manager to one collateral debt obligation (“CDO”), which is currently in run-down mode.

Certain of MLIA’s investment personnel support the investment activities of MetLife’s insurance company subsidiaries through their general accounts (“MetLife’s general accounts”) and may be responsible for investing on behalf of MetLife’s general accounts. MLIA has implemented policies and procedures to address the conflicts that arise in situations relating to management for both MLIA’s clients and MetLife’s general accounts. A copy of these policies is available to current or prospective clients upon request. Additional information is disclosed in response to Item 10.

MetLife’s general accounts may invest in real estate equity or debt as a co-investment with MLIA’s clients. Generally, the investment is acquired by an entity (such as a REIT or other joint venture) that is ultimately co-owned by MetLife and a third party. For purposes of this Disclosure Brochure, client generally refers to the third party who is co-investing with MetLife, not the entity.

As of December 31, 2016, MLIA had \$63,197,808,011 in assets under management, of which \$62,112,926,752 was managed on a discretionary basis and \$1,084,881,259 was managed on a non-discretionary basis. MLIA is also the investment manager to \$9,275,281,642 in real estate assets (based on gross asset value as of December 31, 2016).

#### **Item 5: Fees and Compensation**

MLIA tailors its advisory services based on the needs of the client. As such, all advisory fees are negotiated with the client depending on the scope of services MLIA is providing (other than for the pooled investment vehicles, where the fee is set forth in the offering documents). The amount and terms of the fee is either set forth in the offering documents (for pooled investment vehicles) or in the advisory agreement between MLIA and the client.

MLIA generally charges its fee in arrears on a monthly or quarterly basis. While MLIA does not solicit clients to pay in advance, it may accept such arrangement at a client’s request. For any fees collected in advance where a client terminates prior to the end of a billing period, any prepaid fees would be refunded on a pro rata basis.

Certain clients pay a performance-based fee, the terms of which are agreed upon with MLIA. All performance-based fee arrangements are structured to comply with Rule 205-3 under the Advisers Act.

In addition to MLIA’s fee, clients may incur additional charges imposed by other service providers, including service providers that are affiliates of MLIA. As a general matter, these fees are separate from MLIA’s fee, and MLIA receives no portion of them. In some circumstances, MLIA has agreed to reduce its advisory fee and performance-based fee to offset certain fees for additional services paid to its affiliates. These arrangements are negotiated on a case-by-case basis and agreed to by each client.

#### **Funds**

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For any unregistered pooled investment vehicles managed by MLIA (each a “Fund”), the applicable fees and expenses are set forth in the applicable Fund’s offering document. MLIA has set forth below a summary of the fees and expenses that each Fund may incur; however, this is not intended to be a complete or exhaustive list.

All defined terms used herein are intended to be the defined terms used in the respective document that contains the expense information (i.e. private placement memorandum or partnership agreement). Additionally, all section references refer to the appropriate section in the private placement memorandum or partnership agreement.

#### *Expenses borne by MLIA's real estate equity fund*

The Fund pays all expenses relating to the activities and operations of the Fund ("Fund Expenses"), including without limitation: (i) third-party expenses related to the operation of the Fund (e.g., the fees and expenses of any accountants, lawyers, independent fiduciaries and other professionals incurred in connection with the Fund's annual audit, legal opinion requirements and compliance, financial reporting, tax strategy and tax return preparation); (ii) all costs and expenses associated with the Investor Advisory Committee; (iii) all fees, costs and expenses related to the acquisition, holding, leasing, financing, refinancing, Development, management, repairs, improvements, monitoring and sale or other disposition of Investments (including any legal, audit, travel, financing, appraisal, insurance (including insurance advisory services), consulting, costs and expenses) and the evaluation, negotiation, structuring, appraising, financing, refinancing or otherwise dealing with potential investments, financings, dispositions, improvements, investments in progress and real estate assets (including any "dead deal" costs, structural and environmental studies, travel, legal, due diligence, investment banking, reporting, projections, valuation, tax and accounting expenses and other fees costs or expenses of any third parties and the General Partner or the Adviser related thereto), regardless of whether the potential investments, dispositions, improvements, developments or investments in progress are consummated; (iv) any custodial expenses for the safekeeping of cash, securities and other property, making permitted temporary investments, interest expenses, brokerage commissions and other investment costs incurred by or on behalf of the Fund; (v) subject to the cap described in "—Organizational Expenses" with respect to expenses relating to the Initial Investor Closing, all fees, costs and expenses related to the offering and sale of Units to prospective investors with respect to any Closing (including any related legal fees and travel expenses and the costs of preparing and periodically updating this Memorandum and obtaining tax and legal opinions); (vi) the costs of forming, organizing and maintaining each subsidiary of the Fund (including any REIT Subsidiary); (vii) any extraordinary administrative or operating fees or expenses (e.g., litigation or indemnification expenses under the Partnership Agreement or related to any subsidiary or asset of the Fund); (viii) taxes, fees and other equivalent governmental charges levied against the Fund, any Investment or other asset of the Fund or the income thereof; (ix) premiums for insurance (including terrorism, errors and omissions, directors and officers and other forms of liability insurance) protecting the Fund, the General Partner, the Adviser (acting in such capacity), the members of the Investment Committee and the Investor Advisory Committee and other indemnified persons and litigation costs of the Fund; (x) all Credit Facility Obligations (including, without limitation, repayment of all outstanding principal and interest obligations arising in connection therewith); and (xi) amounts contributed or advanced to any entity or investment for purposes of such entity or investment paying any costs of the type described in foregoing clauses (i) through (x).

#### *Expenses borne by MLIA's real estate debt fund*

The Fund bears all expenses relating to the activities and operations of the Fund ("Fund Expenses"), whether incurred directly or by the REIT Subsidiary (or any subsidiary thereof), including without limitation: (i) third-party expenses related to the operation of the Fund (including, but not limited to, the fees and expenses of any accountants, loan servicers, valuation services, property asset management fees (in the event of any foreclosure), lawyers, independent fiduciaries and other professionals, including those incurred in connection with the Fund's annual audit, REIT compliance and tax expenses, regulatory and compliance requirements, Fund document updates and amendments, financial reporting, tax planning, tax projections and tax return preparation); (ii) all travel costs and expenses associated with the Investor Advisory Committee and the costs of any Investor meetings; (iii) all transaction acquisitions and expenses, including transaction fees payable to third parties, costs and expenses related to financing, refinancing, monitoring and sale or other disposition of Fund investments (including any legal, audit, travel, appraisal, insurance (including insurance advisory services), consulting, brokerage, engineering, environmental inspection and indemnification costs and expenses) and the evaluation, negotiation, structuring, appraising, financing, refinancing or otherwise dealing with potential investments, financings, dispositions, investments in progress and completed investments (including any "dead deal" costs, structural and environmental studies, travel, legal, due diligence, reporting, projections, valuation, tax and accounting expenses and other fees, costs or expenses of any third parties and the General Partner or the Manager related thereto), regardless of whether the potential investments, financings, dispositions, improvements, developments or investments in progress are consummated; travel and accommodations relating to the diligencing and monitoring of investments, the costs of retaining third-party consultants, accountants, attorneys or other experts utilized as part of the

investment process, due diligence and monitoring related expenses and closing costs incurred in connection with the investment process; (iv) any custodial expenses for the safekeeping of cash, securities and other property, making cash-equivalent investments, interest expenses, brokerage commissions and other investment costs incurred by or on behalf of the Fund; (v) all fees, costs and expenses (other than HFF Fees and Placement Agent Fees) related to the ongoing offering and sale of Interests to Prospective Investors (including any related legal fees and travel expenses and the costs of preparing, updating, printing and distributing this Memorandum and marketing materials (including, but not limited to, pitchbooks, due diligence questionnaires, and any materials requested by prospective investors), the preparation and negotiation of side letters or supplements, review of Subscription Agreements, Form D and “blue-sky” expenses, “world-sky” expenses, including the Manager’s compliance costs under the Alternative Investment Fund Managers Directive and other regimes’ compliance expenses), and the offering and sale of preferred shares of the REIT Subsidiary; (vi) all fees, costs and expenses relating to the set-up of any Subscription Line Facility and any credit facility; provided, however, that unlike other Fund Expenses, these expenses may be amortized over five years for purposes of calculating Net Asset Value of the Fund notwithstanding that such amortization is not consistent with U.S. GAAP; (vii) regulatory and compliance expenses of the Fund and, to the extent directly related to the Fund, the Manager (such as those relating to regulatory filings, including the Fund’s allocable portion of Form PF-related expenses, related software expenses, and third-party expenses related to compliance with FATCA (as defined in “Certain U.S. Federal Income Tax Considerations”)); (viii) the costs of forming, organizing and maintaining each subsidiary of the Fund; (ix) any extraordinary administrative or operating fees or expenses (including, but not limited to, litigation or indemnification expenses under the Partnership Agreement or related to any subsidiary or asset of the Fund); (x) taxes, fees and other equivalent governmental charges levied against the Fund, any investment or other asset of the Fund or the income thereof; (xi) premiums for insurance (including terrorism, errors and omissions, directors and officers and other forms of liability insurance) protecting the Fund, the General Partner, the Manager (acting in such capacity) and the Investor Advisory Committee and other indemnified persons and litigation costs of the Fund; and (xii) any amounts payable for services related to any affiliate of MetLife, Inc. (including the Manager) that is employed or retained to perform or provide services as specified under “—Transactions with MetLife, Inc.”. Related Funds, if any, will generally bear their own Related Fund-level expenses.

The Manager will bear its internal expenses, including payroll and other overhead costs.

*Expenses borne by MLIA’s private equity fund of funds*

The Partnership will be responsible for all expenses attributable to the operation of the Partnership and its Portfolio Investments and the performance by the General Partner, the Management Company, the Partnership and their respective Affiliates of their respective obligations, including but not limited to: (i) Organizational Expenses and the organization of any alternative investment vehicle or holding vehicle, including documentation related thereto; (ii) the Management Fee (as defined herein); (iii) all expenses, costs and liabilities incurred in connection with the identifying, structuring, negotiating, purchasing, monitoring, owning, improving, readying for sale, servicing, sale, proposed sale, other disposition and valuation of investments (including due diligence in connection therewith), including, but not limited to, travel and entertainment expenses incurred in connection with the foregoing, legal, accounting, audit and other expenses (to the extent not subject to reimbursement); (iv) costs and liabilities incurred in connection with litigation or other extraordinary events, liability and other insurance and indemnity expenses; (v) all taxes, fees and other governmental charges payable by the Partnership, expenses incidental to the transfer, servicing and accounting for the Partnership’s cash and securities, including all charges of depositories and custodians, and all expenses incurred by the “tax matters partner”; (vi) communications expenses, (vii) all expenses and costs associated with Limited Partner meetings; (viii) all expenses and costs of the Advisory Committee (as defined below); (ix) brokerage commissions, custodial expenses, appraisal fees and other investment costs; (x) expenses of liquidating the Partnership and its subsidiaries; (xi) expenses incurred in connection with maintaining the Partnership’s books of account and the preparation of financial statements (including, without limitation, fees and expenses of independent auditors, accountants and counsel, the costs and expenses of preparing and circulating reports and any fees or imposts of a governmental authority imposed in connection therewith) and other routine administrative expenses of the Partnership or its subsidiaries, including, but not limited to, the cost of the preparation of applicable tax returns of the Partnership, cash management expenses and insurance and legal expenses; and (xii) all expenses incurred in connection with any indebtedness or bridge financings of the Partnership

or other credit arrangement (including any line of credit, loan commitment or letter of credit for the Partnership or related to any Portfolio Investment (or any underlying asset)) (collectively, "Partnership Expenses").

In addition, the Partnership, and thus the Partners, will bear a pro rata share of the partnership and organizational expenses paid by the Partnership with respect to any Portfolio Investment.

*Expenses borne by MLIA's hedge fund of funds*

Except to the extent described under "*—Payment of Fees and Expenses*" below, each Limited Partner will be responsible for and directly pay its allocable share of all expenses attributable to the operation of the Fund and the performance by the General Partner, the Investment Manager, the Fund and their respective affiliates of their respective obligations, including but not limited to: (i) the Management Fee and fees payable to any third-party administration services provider; (ii) the Fund's legal, accounting (including expenses paid to third-party vendors associated with the Fund's internal accounting), administrative, auditing, tax preparation and other professional expenses; (iii) all expenses, costs and liabilities incurred in connection with the identifying, structuring, negotiating, purchasing, monitoring, owning, hedging disposing and valuing Underlying Portfolio Vehicle interests and Portfolio Investments (including due diligence in connection therewith), including, but not limited to, travel and entertainment expenses incurred in connection with the foregoing, legal, accounting, audit and other expenses (to the extent not subject to reimbursement); (iv) liability and other insurance and indemnity expenses; (v) all taxes, fees and other governmental charges payable by the Fund (other than those specifically allocated by the General Partner to one or more, but not all, Limited Partners pursuant to the Partnership Agreement), expenses incidental to the transfer, servicing and accounting for the Fund's cash and securities, including all charges of depositories and custodians; (vi) filing fees and expenses; (vii) brokerage commissions, custodial expenses, appraisal fees, bank service fees and other investment costs; (viii) the costs of printing and distributing periodic and annual reports and statements and regulatory and compliance expenses directly related to the Fund; (ix) expenses of liquidating the Fund; (x) expenses incurred in connection with maintaining the Fund's books of account and the preparation of financial statements (including, without limitation, fees and expenses of independent auditors, accountants and counsel, the costs and expenses of preparing and circulating reports and any fees or imposts of a governmental authority imposed in connection therewith) and other routine administrative expenses of the Fund, including, but not limited to, the cost of the preparation of applicable tax returns of the Fund, cash management expenses and insurance and legal expenses; and (xi) all expenses incurred in connection with any indebtedness or bridge financings of the Fund or other credit arrangement (including any line of credit, loan commitment or letter of credit for the Fund) (collectively, "Fund Expenses").

In addition, the Fund will indirectly bear its *pro rata* share of the organizational, operational and transactional expenses of the Underlying Portfolio Vehicles, including any incentive-based compensation payable to the Sub-Advisors, the equivalent of Fund Expenses incurred by the Underlying Portfolio Vehicles, and the transaction fees and costs incurred in connection with their investments and trading, including brokerage commissions (including options and futures trades), spreads, mark-ups on securities, swaps and forwards, commodity trading-related expenses, short dividends, currency and other hedging costs, interest expenses in respect of margin accounts, repurchase agreements and other indebtedness and other similar costs and expenses.

The General Partner or the Investment Manager, as applicable, will be entitled to reimbursement to the extent it advances expenses otherwise allocable to the Fund as described above.

**Item 6: Performance-Based Fees and Side-by-Side Compensation**

As disclosed in response to Item 5, MLIA provides services for performance-based compensation. This gives MLIA an incentive to take additional risks in these accounts or allocate to them more favorable investment opportunities. MLIA has implemented policies and procedures, including an allocation policy, which is designed to manage the allocation of investment opportunities among all clients on a systematic basis. MLIA believes this mitigates the conflicts that typically arise with performance-based compensation.

## **Item 7: Types of Clients**

MLIA provides its advisory services to institutional clients, pension and profit sharing plans (including government plans), sovereign funds, limited partnerships, and affiliated accounts (which include insurance companies), registered investment companies, and pooled investment vehicles.

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

### Real Estate Equity Strategies

For managed accounts, the client may purchase assets as a co-investment with MetLife's general accounts. Depending on the client's investment objectives, each investment may be owned through a REIT, similar tax-efficient structure, or other form of joint venture. The terms of the investment are agreed upon with each client on a case-by-case basis. Each client specifies its own investment parameters, including target markets, desired characteristics, investment limitations, and other factors. MLIA is also the investment management to a pooled investment vehicle investing in core real estate.

MLIA sources opportunities by leveraging its industry relationships and relies on a decentralized regional office structure for the origination and day-to-day management of assets. MetLife's regional offices are responsible for originating opportunities in a defined geographic area, and MLIA analyzes whether a proposed opportunity fits within the sought-after investment parameters for any client.

Once an initial analysis is complete, MLIA analyzes the opportunity in more depth, including as appropriate financial and market analysis, cash flow modelling, return sensitivity analysis, and investment structure analysis. If the real estate equity investment committee preliminarily approves the investment, additional due diligence is conducted. This due diligence may include physical property assessments, legal review, tenant and lease review, and review of property financial operations. Upon completion of due diligence, the investment committee conducts a final review and internal approval is processed. As part of this process, MLIA develops a detailed plan for on-going asset management that is updated as necessary.

Each regional office includes asset management personnel that are responsible for the day-to-day management and oversight of properties located in that particular region, and will ultimately report to management located in MLIA's main office. Asset managers are responsible for (1) developing an annual strategic business plan (including capital, leasing and strategic operating activities as well as a hold/sell analysis) and budget recommendation for each property, and updating them as conditions change through the course of the year; (2) overseeing property managers and leasing agents; (3) visiting properties on an ongoing basis; and (4) managing physical improvement projects and construction activities.

Depending on the individual client objectives, MLIA may utilize leverage due to: (1) the need to capitalize very large acquisitions, (2) the need to assume certain existing leverage in place at the time of acquisition, or (3) the availability of highly attractive financing terms. MLIA and the client may agree to limitations on the use of leverage.

### Real Estate Debt Strategies

*Commercial Mortgages:* For managed accounts, the client may contribute capital as a co-investment with MetLife's general accounts through a joint venture, which will then issue real estate loans to borrowers. Depending on the client's investment objectives, each investment may be owned through a REIT, similar tax-efficient structure, or other form of joint venture. The terms of the joint venture are agreed upon with each client on a case-by-case basis. Each client specifies its own investment parameters, including target markets, desired characteristics, investment limitations, and other factors. MLIA is also the investment manager to a pooled investment vehicle that originates and manages real estate debt investments. MIM's real estate group maintains seven U.S. regional offices. Throughout its regional offices, MIM's origination team identifies, evaluates, structures and negotiates investments nationwide. Each internal due diligence process is led by seasoned commercial mortgage loan originators located in each of MIM's seven U.S. regional offices, with guidance provided by the Debt Strategies Group's (DSG's) Investment Committee. Primary loan management responsibilities are handled by each regional office, with frequent communication with portfolio managers.



*Agricultural Loans:* MLIA manages agricultural loan investments for its clients. Agricultural loans include agribusiness loans, timber loans, and farm and ranch loans. Each client specifies its own investment parameters, including target markets, desired characteristics, investment limitations, and other factors. MLIA sources agricultural loan opportunities by leveraging existing and building new relationships. It relies on a decentralized regional office structure for the origination, administration and portfolio surveillance of loan assets. The regional offices are responsible for originating long-term buy and hold mortgage loan opportunities in a defined geographic area and MLIA analyzes whether a proposed opportunity fits the client's guideline parameters. If the loan request meets initial underwriting, MLIA further analyzes the borrower's credit and repayment capacity, loan structure, property valuation, borrower's management capacity and any other due-diligence deemed critical to underwriting. Upon completion of the underwriting and due diligence process, the agricultural portfolio unit ("APU") reviews the loan package and internal approval is processed. Upon approval, the loan is closed, funded and managed by MLIA. Each region is responsible for the day-to-day management and oversight of the loan administration. Servicing and portfolio management processes are documented and managed through either delegated authority to regional management or APU approval through a workflow process. Special loan servicing is managed in concert between the regions and APU. Portfolio management and surveillance is managed in concert between the regions and APU and loan administration is managed at the regions through maturity.

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#### Index Strategies

MLIA is a subadvisor to Brighthouse Investment Advisers, LLC ("BIA"), which is the investment adviser to the Brighthouse Funds Trust I and Brighthouse Funds Trust II (together, the "Brighthouse Funds"). The Brighthouse Funds are each a registered investment company. Prior to investing in the Brighthouse Funds, clients receive a copy of the applicable summary prospectus ("Prospectus"). Additionally, MLIA offers index strategies to managed accounts.

Each portfolio is managed according to its own investment strategy and carries different risks. MLIA manages both equity and fixed income index portfolios. The investment objective of each portfolio is to track the performance of a specified underlying index. For equity index portfolios, either a full replication or stratified sampling methodology is employed. For fixed income index portfolios, a stratified sampling methodology is employed. When engaging in a stratified sampling methodology, the portfolio is constructed and managed by owning a subset of index-eligible securities and neutralizing critical index characteristics (e.g., for equities, sector, country; for fixed income, sector market weights, duration).

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#### Public Fixed Income Strategies

MLIA offers managed account public fixed income strategies tailored to each client's individual goals, objectives, targets, and guidelines. MLIA manages public fixed income strategies across sectors, including Investment Grade and High Yield Corporate, Municipal, Emerging Markets, Structured Finance, and U.S. Government asset classes. These strategies are actively managed, seeking to offer clients favorable income, capital preservation, and total return over an economic cycle. In the case of separately managed accounts, MLIA follows the client's mandate and investment guidelines in building and managing a fixed income portfolio. Clients may specify their investment parameters, including credit quality, duration, and income targets, and MLIA customizes each fixed income portfolio to meet these investment needs.

The highly-specialized sector teams utilize their established investment processes and deep experience in the asset class to evaluate potential investments on a deal-by-deal basis. MLIA employs both a top-down and bottom-up approach to fixed income investing. From a top-down perspective, the teams leverage an internal Global Market Strategy group for in-house macroeconomic views, as well as Global Credit, Leveraged Loan, and Real Estate teams, for example, for fundamental sector views. From a bottom-up perspective, each team employs rigorous sector-level and security-level credit analysis, as well as on-site due diligence and manager meetings, as needed, to determine if a given transaction is an attractive investment for the portfolio. Teams use proprietary models to run scenario analyses on bonds, and leverage long-dated relationships with relevant sell-side, buy-side and research firms, to ensure that all appropriate quantitative and qualitative analysis has been conducted on a potential investment.

Portfolio managers determine the size and allocation of each investment in a fixed income portfolio (as per client guidelines), while sector traders execute portfolio decisions. Each sector team monitors holdings on an ongoing

basis. In-depth weekly, monthly, and quarterly reviews are conducted to update buy/sell/hold recommendations as needed. MLIA holds formal quarterly reviews with all separately-managed account fixed income clients, and ad-hoc meetings as needed to discuss specific investment, portfolio, or market inquiries.

#### Private Fixed Income Strategies

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MLIA manages investments in private fixed income strategies, including corporate, project finance, ABS and CMBS, infrastructure debt and other debt securities offered in private placements, Rule 144A transactions, bank loans, and other offerings exempt from registration with the SEC. These strategies are actively, seeking to offer clients favorable income, capital preservation, and total return over an economic cycle. In the case of separately managed accounts, MLIA follows the client's mandate and investment guidelines in building and managing a private fixed income portfolio.

In evaluating private fixed income investments for its clients, MLIA considers many aspects of a possible investment; critical priorities include:

- The issuer's credit quality;
- Structural elements (including any covenants and/or collateral); and
- The spread relative to public and private bonds of comparable credit quality.

#### Securities Lending

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MLIA manages securities lending activities for its clients. Securities lending is a spread-margin business that is intended to generate incremental income for clients. In a securities lending program, securities owned by MLIA clients (the "Lenders") are loaned to highly rated counterparties (the "Borrowers") in exchange for collateral, usually in the form of cash. The overall demand for the securities loaned to the Borrowers creates an attractive cost-of-funds rate for use of the cash collateral, which is then reinvested at a higher rate of return. The spread between the reinvestment return on the cash collateral and the cost-of-funds provides the incremental income for the Lender. The investment of cash collateral is managed conservatively, with investments generally consisting of short-term and liquid securities. If the Borrowers provide non-cash collateral in respect of a securities loan, the Lenders receive a fee for the use of the loaned securities. MLIA clients conduct an independent analysis and approve each counterparty before it is authorized as a Borrower.

The initial value of the collateral received is 102% of the value of the securities on loan. Loaned securities are marked-to-market on a daily basis against the value of the collateral pledged, with a daily exchange of collateral to ensure that the collateral value is maintained at 102%, subject to certain qualifications. In the event of a Borrower default or bankruptcy, MLIA, on behalf of the Lender, would use the collateral to buy an equivalent amount of the loaned security in the open market.

Clients may specify guidelines for the reinvestment of cash collateral including credit quality, duration and income targets, and MLIA customizes the reinvestment portfolio to comport with these parameters. In some instances, the estimated fair value of the securities within the reinvestment portfolio may fall below the amount of cash collateral received, for example, upon an increase in interest rates or an impairment or default of a security held in the reinvestment portfolio. If MLIA is forced to sell securities from the reinvestment portfolio on short notice in order to return significant amounts of cash collateral under the securities lending program or meet other significant cash needs, it may be difficult to sell such collateral in a timely manner, or MLIA may be forced to sell securities in a volatile or illiquid market for less than the value that could have been realized under normal market conditions, or both. In the event of a forced sale, accounting guidance requires the recognition of a loss for securities in an unrealized loss position and may require the impairment of other securities based on the Lender's ability to hold those securities, which would have a negative impact on the Lenders. In addition, under stressful capital market and economic conditions, liquidity broadly deteriorates, which may further restrict the ability to sell securities. Furthermore, if a Lender decreases the volume of its securities lending activities over time, the amount of net investment income generated by these activities will also likely decline.

MLIA's management of a client's securities portfolio [typically] is not encumbered by the securities lending program. If the portfolio manager decides to sell a security that was on loan, the security is "recalled." Under the terms of the

securities lending contract, the Borrower is obligated to return such loaned security to the Lender within a time period not to exceed the customary settlement period for the particular security on loan. If for some reason the Borrower failed to meet that obligation, it would be required to pay an additional fee to the Lender.

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#### Alternative Investments

MLIA is responsible for originating and managing alternative investments in private equity funds (e.g. leveraged buyouts, venture capital, distressed securities, infrastructure, and timber funds) and hedge funds managed by unaffiliated third parties (collectively “Funds”). These investments typically are structured as limited partnerships and presented to MLIA directly from the Fund’s general partner or in some cases through placement agents representing the Funds.

MLIA sources Funds on a global basis through its team based in offices in the U.S., U.K. and Hong Kong. The origination process begins with the receipt of marketing materials in the form of executive summary, “pitch book”, or private placement memorandum which describes the opportunity. MLIA’s staff will review the deal information and determine whether it fits general investment parameters.

Once initial analysis is completed and a commitment to the fund is considered, MLIA conducts an in-depth analysis. This analysis would entail due diligence sessions are held with the General Partner of the Fund to understand Fund management’s strategy and competence. MLIA evaluates the investment track record and typically conducts extensive reference calls with portfolio company management, other Fund investors, and co-investors, among others. A review of the Fund manager’s compliance practices, processes and controls is also completed. Prior to closing, all the due diligence materials are compiled into an investment recommendation memorandum which covers items such as investment rationale and considerations, investment structure and terms, historic financial performance and analysis of firm’s track record, references, Fund and strategy description, portfolio company review and overall manager evaluation.

To monitor Fund investments, MLIA participates in Fund annual meetings and conducts periodic reviews, including quarterly conference calls, to assess Fund performance and the general health of a manager's business. If these meetings uncover information or operating patterns that are not consistent with the manager's investment mandate, MLIA will explore further to determine if the situation requires increased scrutiny or perhaps even termination. During its periodic reviews, MLIA will focus on the principal areas affecting the Fund, such as the health of managers business, adherence to Fund’s stated investment objectives and strategy, overall performance of the Fund’s investments and adherence to diversification practices.

Additionally, MLIA is the investment manager to internal fund of funds vehicles that invest in private equity funds and hedge funds. Participation in these funds of funds is currently limited to certain MetLife non-U.S. insurance company affiliates.

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#### Asset Management for Insurance and Non-Insurance Affiliates

MLIA provides investment advice to its affiliates. The terms of MLIA’s investment management services, including the types of assets that MLIA manages, is set forth in the agreement between MLIA and its clients.

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#### Management of CDO

MLIA is the investment manager to one CDO. This CDO is closed to new investments and is in run-down mode.

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#### Disclosure of Private Funds on Form ADV Part 1

The pooled investment vehicles managed by MLIA do not meet the definition of “private fund” as defined on Form ADV Part 1, Item 7B. As such, they are not required to be disclosed on Schedule D. Additional information on why each of these funds is not required to be disclosed on Schedule D is available by contacting MLIA.

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#### Risk of Loss for All Investments

*Risk of Loss – General:* All investments are subject to the risk of loss. There is no guarantee that any investment will be successful. Investments and strategies are subject to market risk, including, but not limited to, directional price movements, deviations from historical pricing relationships, changes in the regulatory environment, changes in

market volatility, “flights to quality” and “credit squeezes”. Accordingly, investments may be subject to sudden and dramatic losses as a result of such market events.

### **Market & Economic Risks**

*Competitive Market:* There is significant competition for attractive investment opportunities from other investors. Competitive offers to invest may restrict MLIA’s ability to invest in certain opportunities or to purchase the desired amount of an investment. Additionally, no assurance can be given that MLIA will be able to locate, obtain, or exit a particular investment.

*Currency Risk:* MLIA may invest client assets in securities that are not denominated in U.S. dollars. As a result, portfolios are subject to the risk that those currencies will decline in value relative to the value of the U.S. dollar.

*Economic risk:* If the economy falters, some investors are likely to try to sell riskier bonds, including high yield bonds. In what is known as a “flight to quality,” a number of investors may decide to replace high-yield bonds with safer ones, which may cause the price of the high yield bonds to decrease.

*Emerging Markets Risk:* Investments in emerging markets are subject to all the risks of developing markets generally, and have additional risks due to a lack of established legal, political, business, and social frameworks to support capital markets as well as a lack of company information, and differing auditing and legal standards. Political uncertainty, geopolitical conflicts, or unexpected government actions could weigh on returns or result in the inability to sell an investment.

*Foreign Markets:* Investments in foreign markets have additional risks, including currency, political, economic, and market risks. In addition, certain countries may have higher market volatility, higher transaction costs, decreased market liquidity, and less government regulation and oversight. In addition, if an investment is denominated in foreign currencies, the change in the value of a country’s currency against the U.S. dollar may impact the value of the investment.

*Market Disruptions; Governmental Intervention.* The global financial markets have recently gone through pervasive and fundamental disruptions that led to extensive and unprecedented governmental intervention. Such intervention was in certain cases implemented on an “emergency” basis, suddenly and substantially eliminating market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition — as one would expect given the complexities of the financial markets and the limited time frame within which governments have felt compelled to take action — these interventions have typically been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets, as well as previously successful investment strategies. Portfolios may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted.

*Market Risk:* Any investment held in a portfolio may decline in value due to overall market conditions, which may not be the fault of the issuing company.

### **Interest Rate Risks**

*Call Risk:* Issuers may exercise their rights to call a security earlier than expected. As a result, the portfolio may need to reinvest in lower-yielding securities (depending on current interests rates) or securities with higher risks or less desirable characteristics.

*Duration Risk:* Fixed income securities with longer durations are more sensitive to changes in interest rates, which means those investments are more volatile than securities with shorter durations.

*Interest Rate Risk - General:* There is a risk that interest rates will rise causing the yields of bonds to rise and resulting in declining market prices.

### **Credit Risks**

*Credit Risk:* An issuer of a security may fail to pay interest or principal in a timely manner, or negative perceptions of the issuer’s ability to make such payments will cause the price of the security to decline. Even if the price of the

security does not decline, a decline in the bond's or issuer's credit rating may make the bonds more difficult to sell and thus may reduce their value.

*High Yield Risk:* High yield debt securities are considered higher risk securities relative to investment grade securities because they are subject to greater levels of credit (including issuer default), and liquidity risk than investment grade rated securities, and may be subject to greater volatility. Generally speaking, lower rated securities involve greater price volatility and present greater risks than higher rated fixed income securities. High yield securities are rated lower than investment grade securities because there is a greater possibility that the issuer may be unable to make interest and principal payments on those securities when they come due.

*Sector Risk:* The value of securities or investments focused in a particular industry or market sector are highly sensitive to financial, economic, political and other developments affecting that industry or market sector, and conditions that negatively impact that industry or market sector will have a greater impact as compared to an account that does not have its holdings similarly concentrated.

*Structured Products Risk:* An investment in structured finance involves the risks associated with the underlying pool of securities or assets, as well as risks different than the risks affecting the underlying assets. In particular, these investments may be less liquid than other debt obligations, making it difficult for an account to value its investment or sell the investment in a timely manner or at an acceptable price.

*Tax Policies:* Changes to tax treatment of certain market sectors may impact performance. Significant increases in such taxes or cancellation, modification or termination of favorable tax treatment could have an adverse effect upon the availability of cash flow from an infrastructure project, thereby diminishing the revenues available for the repayment of the project's debt.

## **Real Estate Risks**

*Environmental Matters:* Under various federal, state and local laws, ordinances and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances or petroleum products on, under or in such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. In addition, the presence of, or the failure to properly remediate, such substances may adversely affect the owner's ability to borrow using such real property as collateral or to sell such property. Although each property will be subject to environmental assessments before acquisition, no assurances can be given that the environmental assessments reveal all environmental liabilities or that no prior owners created any environmental condition not disclosed in the environmental assessment.

*Factors Affecting Performance and Value of Real Estate:* The yields available from equity investments in real estate depend on the amount of income earned and capital appreciation generated by properties as well as the expenses incurred in connection therewith. If real estate assets do not generate income sufficient to meet operating expenses, the ownership of that real estate could be adversely affected. Income from, and the value of, real estate is affected by the general economic climate, local conditions such as oversupply, or a reduction in demand for such properties in the areas in which they are located, attractiveness to potential tenants, competition from other properties, maintenance and insurance and increases in operating costs (including insurance premiums, utilities and real estate taxes). In addition, revenues from properties and real estate values are affected by such factors as the cost of compliance with regulations and the potential for liability under applicable laws, including changes in tax laws, and are also affected by interest rate levels and the availability of financing. Income from real estate investments is adversely affected if and when a significant number of tenants are unable to pay rent or if and when properties are vacant and cannot be rented on favorable terms. Certain significant expenditures associated with an investment in real estate (such as mortgage payments, real estate taxes and maintenance costs) generally do not decline when circumstances cause a reduction in income from the property. Because real estate investments are relatively illiquid, the ability to diversify a portfolio of real estate investments promptly in response to economic or other conditions is limited.

*Foreclosure and Taking Title to Real Property.* MLIA's ability to promptly foreclose upon defaulted commercial mortgage loans and operate the underlying real property and sell the interest therein obtained upon foreclosure,

and the costs and expenses incurred in undertaking such foreclosures, including real estate transfer and recording taxes, is a material factor in the expected return on those investments.

*Impact of a Recessionary Environment:* Real estate historically has experienced significant fluctuations and cycles in value and local market conditions which may result in reductions in the value of real property interests. All real estate-related investments are subject to the risk that a general downturn in the national or local economy will depress real estate prices.

*Interest Rate Risk -Real Estate Debt:* Investing in commercial mortgages presents exposure to interest rate risks, meaning that changes in prevailing interest rates could negatively affect the value of a portfolio of commercial mortgages. Changes in the general level of interest rates can affect income by affecting the spread between the income on assets and the expense of leverage, as well as, among other things, the value of investments and the capitalization rate at which assets are valued in the market. Interest rates are highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations, fiscal deficits, trade surpluses or deficits, regulatory requirements and other factors beyond MLIA's control.

*Multifamily and Commercial Properties May Present Special Risks.* Additional risks may be presented by the type and use of a particular commercial property. For instance, commercial properties that operate as hospitals and nursing homes may present special risks to lenders due to the significant governmental regulation of the ownership, operation, maintenance and financing of healthcare institutions. Hotel and motel properties are often operated pursuant to franchise, management or operating agreements which may be terminable by the franchisor or operator, and the transferability of a hotel's operating, liquor and other licenses upon a transfer of the hotel, whether through purchase or foreclosure, is subject to local law requirements. Each property type presents unique risks. Furthermore, a commercial property may not be converted readily to an alternative use in the event that the operation of such commercial property for its original purpose becomes unprofitable for any reason.

*Properties Underlying Commercial Mortgage Loans:* Certain loans are primarily secured by income-producing office, retail, apartments, industrial, hotel or mixed-use property, and are subject to risks of delinquency and foreclosure, and risks of loss. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of an income-producing property can be adversely affected by, among other things:

- tenant mix;
- success of tenant businesses;
- property management decisions;
- property location, condition and design;
- competition from comparable types of properties;
- changes in laws that increase operating expenses or limit rents that may be charged;
- changes in national, regional or local economic conditions and/or specific industry segments, including the credit and securitization markets;
- declines in regional or local real estate values;
- declines in regional or local rental or occupancy rates;
- increases in interest rates, real estate tax rates and other operating expenses;
- costs of remediation and liabilities associated with environmental conditions;
- the potential for uninsured or underinsured property losses;

- changes in governmental laws and regulations, including fiscal policies, zoning ordinances and environmental legislation and the related costs of compliance; and
- acts of God, terrorist attacks, social unrest and civil disturbances.
- *Occupancy Levels and Lease Rates:* Real estate occupancy may be affected by adverse economic or other conditions and MLIA's ability to raise rents would be limited. Additionally, real estate investments are dependent upon the payment and performance of lease obligations, such as maintenance of properties, payment of taxes, utilities and other charges and maintenance of insurance, by tenants. MLIA has no control over the success or failure of its tenants' businesses and, at any time, any tenant may experience a downturn in its business that may weaken its financial condition. As a result, tenants may delay lease commencement or renewal, fail to make lease payments when due or declare bankruptcy. Additionally, a bankruptcy filing by a tenant may limit or prevent MLIA from collecting past due balances under the relevant leases and could ultimately preclude full collection of these sums. Any leasing delays, tenant failures to make lease payments when due or tenant bankruptcies could result in the termination of the tenant's lease, which could require MLIA to declare a default, repossess the property, find a suitable replacement tenant, operate the property or sell the property.
- *Portfolio Concentration: Real Estate:* Concentrations of properties in certain geographic areas may increase the risk that adverse economic or other developments or natural or man-made disasters affecting a particular region of the country could adversely impact those properties.
- *Real Estate: General:* The marketability and value of real estate investments may be impacted by declining market fundamentals, volatile cap rates and return requirements, rising interest rates, constrained capital markets, changes in legal, fiscal and regulatory regimes, tenant bankruptcy, changes in real estate tax rates and other operating expenses, and the financial condition of tenants, buyers and sellers of properties among others.
- *Renovation, Expansion or Development of Real Estate:* Properties that require renovation or expansion or have development opportunities may pose additional risks, including the risks that financing may not be available on favorable terms and that construction may not be completed on schedule or within budget, resulting in increased expense, costs and delays in leasing such properties and generating cash flow. Substantial renovation, expansion and development activities are also subject to risks relating to the inability to obtain, or delays in obtaining, all necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations. Once completed, new, expanded or renovated properties may perform below anticipated levels, producing cash flow below budgeted amounts.
- *Tenant Credit Risk on Loans May Cause Losses.* Cash flow or value of a loan could be reduced if tenants are unable to meet their lease obligations or become insolvent. The inability of tenants to meet their obligations may result in realized losses on the loans. For example, if tenant sales in retail properties decline, rents based on sales will decline and certain tenants may have the option to terminate their leases if certain minimum sales targets are not met. Tenants may be unable to pay their rent or other occupancy costs as a result of poor cash flow due to sales declines or a reduction in the amount of the gross sales component of rent. If a tenant defaults, the borrower may experience delays and costs in enforcing the lessor's rights. If a tenant terminates its lease, the borrower may be unable to find replacement tenants. In addition, if a tenant were to become insolvent and subject to any bankruptcy or similar law, the collection of rental payments could be interrupted.
- *Uninsured Loss – Real Estate:* MLIA carries insurance it believes to be adequate and appropriate under the circumstances, given relative risk of loss, the cost of such coverage and industry practice. There are, however, certain types and magnitudes of losses that are not generally insured because it is not economically feasible to insure against such losses, such as losses due to riots or acts of war, or other losses that may not be insured or may be insured subject to certain limitations, including large deductibles or co-payments, such as losses due to floods or seismic activity. Should an uninsured loss or a loss in excess of insured limits occur, MLIA could lose its capital invested in such properties, as well as the anticipated future revenue from such properties.

- *Valuation of Real Estate is Inherently Subjective and Uncertain.* The valuation of real estate and therefore the valuation of any underlying security relating to loans is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues from that particular property. As a result, the valuations of the real estate assets against which loans are made are subject to a degree of uncertainty and are made on the basis of assumptions and methodologies that may not prove to be accurate, particularly in periods of volatility, low transaction flow or restricted debt availability in the commercial real estate markets.

### **Liquidity Risks**

*Liquidity:* The types of investments that MLIA seeks may have limited liquidity compared to publicly traded securities. A private placement security is not registered under federal or state securities laws and can only be purchased or sold in a transaction exempt from registration. Some examples include but are not limited to: private placements are offered to a limited number of potential investors who meet certain eligibility criteria to enable the transaction to qualify under securities law registration exemptions; real estate equity investments are relatively illiquid, and as such, MLIA's ability to promptly sell one or more properties in response to changing economic, financial and investment conditions is limited; and emerging markets typically have much lighter trading volumes and a smaller number of participants than developed markets, which may limit the ability to sell certain securities in a timely manner or at a desired price.

### **Management & Operational Risks**

*Management Risk:* All portfolios are subject to management risk. While MLIA utilizes a rigorous process in making investment decisions, there is no guarantee these decisions will have the desired results.

*Operational Risk.* Portfolios are subject to operational risks arising from factors such as human errors, inadequate or failed internal or external controls and processes, fraud, technology failures, and errors caused by third-party service providers.

### **Derivatives Risks**

*Derivatives:* Derivatives are instruments whose value depends on, or is derived from, the value of an underlying asset, reference rate or index. Derivatives are volatile and may involve significant risks. In addition to credit risk, liquidity risk and currency risk described above, derivatives may be subject to leverage risk and index risk. Leverage Risk refers to the risk that relatively small market movements may result in large changes in the value of an investment. Certain investments that involve leverage can result in losses that greatly exceed the amount originally invested. Index Risk refers to the risk that if the derivative is linked to the performance of an index, it will be subject to the risks associated with changes in that index. If the index changes, the portfolio could receive lower interest payments or experience a reduction in the value of the derivative to below what the portfolio paid. Certain indexed securities, including inverse securities (which move in an opposite direction to the index), may create leverage, to the extent that they increase or decrease in value at a rate that is a multiple of the changes in the applicable index.

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### **Use of Material, Non-Public Information Impacting All Asset Classes**

Certain employees of MetLife may learn of confidential, non-public information in connection with other activities. As such, MLIA may be restricted from investing in certain transactions it otherwise may have initiated or selling an investment it otherwise may have sold.

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

MLIA does not have disciplinary events that would require a response to this Item.

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

As disclosed in response to Item 4, MLIA is a wholly owned subsidiary of MetLife, Inc. MLIA is under common control with other registered investment advisers, broker dealers and insurance companies. Any relationship between MLIA and another MetLife entity material to a client's evaluation of MLIA, including conflicts of interest, is disclosed as appropriate within this Disclosure Brochure or in applicable offering documents.



#### *UK Investment Management Affiliate*

MLIA's affiliate, MetLife Investment Management Limited ("MIML"), located in London, England, is registered with the FCA as an investments adviser and investments manager. MIML provides investment management services to institutional investors located in the UK and the wider European Economic Area. Certain individuals within MLIA may also support the investment management activities of MIML, and MLIA and MIML share personnel and may recommend the same security to clients of both MLIA and MIML. Both MLIA and MIML have adopted allocation policies to address this particular conflict of interest where it arises, as further discussed below.

#### *Japan Investment Management Affiliate*

MLIA's affiliate, MetLife Asset Management Corp. (Japan) ("MAM"), is an FSA registered discretionary investment manager located in Japan. MAM provides investment management services to institutional investors located in Japan. MLIA acts as a sub-discretionary investment manager to MAM and originates US Dollar investments for MAM's clients at MAM's direction. When MLIA is managing a MAM client account through the sub-discretionary investment manager relationship, such client is treated as an MLIA client for purposes of investment allocations. Additionally, the sub-discretionary investment management agreement between MLIA and MAM permits certain individuals within MLIA to also support the investment management activities of MAM.

#### *Logan Circle Partners*

MLIA's affiliate, Logan Circle, and its subsidiaries (collectively, "Logan Circle Parties") serve as the investment adviser and general partners to the Logan Circle Private Funds and serves as investment adviser to the Logan Circle Mutual Funds. Any relationship between Logan Circle and another MetLife entity material to a client's evaluation of Logan Circle, including conflicts of interest, would be disclosed as appropriate within this Disclosure Brochure or in applicable offering documents. At this time, Logan Circle's investment management operations are separate from the other MetLife entities providing similar advisory services. Therefore, MLIA does not believe that such relationships create a material conflict of interest for MLIA's Clients.

#### *Broker-Dealer Affiliate*

MLIA's affiliate, MetLife Investments Securities, LLC ("MISL"), is a FINRA registered broker-dealer. MISL provides marketing and distribution support related to the offering and selling of securities of certain private funds managed by MLIA (the "Private Funds") to institutional clients. MISL primarily acts as a distributor of interests in the Private Funds managed by MLIA. Certain of MLIA's personnel are also registered representatives of MISL and engage in the marketing activities associated with the Private Funds; however, they do not receive any sales commissions for these activities.

#### *Loan Servicing Subsidiary*

Metropolitan Life Insurance Company ("MLIC"), an affiliate of MLIA, may from time to time provide third parties with the ability to acquire participation interests in certain of its mortgage loans at the date of origination. A subsidiary of MLIA, MetLife Loan Asset Management, LLC, ("MLAM"), prepares reports and other information summarizing the activity of these loans for such participants and receives a fee from the participants for such activities. It does not provide any investment management or advisory services or originate or manage any of these investments for third party clients and MLAM's agreement with each participant is separate from the third party participant's agreement with MLIC. The fees it receives ultimately benefit MLIA, its parent company. MLIA does not believe this arrangement results in any additional conflicts of interest not otherwise disclosed in this Disclosure Brochure.

#### *Allocation Policies*

MetLife's general accounts, in many instances own or may be interested in acquiring the same investment opportunities as are owned or appropriate for MLIA's clients. In order to address the resulting conflicts, MLIA has implemented compliance policies and procedures, including allocation policies specific to each asset class. These allocation policies are designed to ensure that investment opportunities are allocated in a fair and equitable manner over time to MLIA clients and MetLife's general accounts. For certain asset classes, when a single investment opportunity cannot readily be shared on a pro rata basis between MLIA clients and MetLife's general accounts, the

allocation policies generally provide for allocation of the investment opportunity on a rotational basis. For other asset classes, where both MetLife and a client (or clients) are part of the same trade/transaction, the desired target participation amounts for each transaction (including MetLife's interest) are aggregated and placed as a single bid/order. MetLife's general accounts may seek a larger position than clients in these transactions based on the size of MetLife's general account portfolios as compared to individual client mandates. If the entire bid/order can be filled, each client (and MetLife's general accounts) receive their full target participation amount; otherwise, each participating account's allocation is adjusted based on the allocation policy for that asset class, which as a general matter provide for pro rata reductions in the amount allocated. If a pro rata reduction would reduce a client's allocation below the client's stated minimum, or result in a *de minimis* allocation, the policies generally provide that the client would not be allocated any of the acquired investment and its share would be reallocated among the other participating accounts (including MetLife's general accounts). As a result, if MetLife's general accounts are participating in that transaction, they would receive an increased allocation whereas the affected client would not any allocation. Copies of these allocation policies are available upon request.

#### *Property Management Affiliate*

MLIA selects a property management company to provide services to real estate equity managed accounts. For certain real estate properties, MLIA has selected (and will likely select in the future) MIM Property Management, LLC ("MIM PM"), a wholly-owned subsidiary of MLIA, and causes the managed accounts to pay MIM PM (or an unaffiliated property management company) a property management fee. (MIM PM also has retained, and will in the future retain, a third party property sub-manager.) When the fee is paid to MIM PM, such amounts are reimbursed to the managed account by tenants of the particular property. MLIA has a conflict of interest in selecting MIM PM to perform property management services over an unaffiliated property management company. To address this conflict, MLIA ensures that the fee paid to MIM PM offsets on a dollar-for-dollar basis other sources of revenue payable to MLIA with respect to the managed account, such as management fees and incentive compensation payable to MLIA with respect to such managed account. In this way, the fee paid to MIM PM does not, on a net basis, increase the total compensation received by MLIA and its subsidiaries with respect to such managed account. Lastly, because selecting its affiliate to perform these services raises a clear conflict of interest, MLIA obtains client consent to this activity. MLIA does not receive a financial benefit; however, the client benefits through a reduction in property management expenses.

With respect to MLIA's real estate equity fund, MLIA has retained a property management company owned by the fund to service one real estate property held by the fund (and may do so for future real estate properties). Any profits of this property manager inure to the benefit of the fund and its investors. This property manager has engaged a third party property sub-manager and would expect to hire a third party property sub-manager for any future real estate properties of the fund for which it acts as property manager.

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

MLIA and persons associated with MLIA are permitted to buy or sell securities that it also recommends to clients consistent with MLIA's policies and procedures. MLIA has implemented a Code of Ethics (the "Code") pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). For certain Access Persons (as defined in the Advisers Act and other applicable rules), the Code imposes restrictions on the purchase and sale of securities for their own accounts and accounts in which the Access Person has a beneficial interest. The Code also includes a pre-clearance requirement for all Access Persons, restrictions on participation in initial public offerings, blackout period restrictions, minimum holding period requirements, quarterly and annual reporting requirements and an annual certification.

MLIA also maintains and enforces written policies reasonably designed to prevent the unlawful use of material non-public information by MLIA or any of its employees.

In addition, MLIA has implemented policies and procedures that prohibit favoring any proprietary or related person account (whether managed by MLIA or an affiliated entity) over an advisory client's account. In addition, MLIA's policies prohibit asset transfers between separate account portfolios or advisory client portfolios and any other

portfolio managed by MLIA unless such transactions are executed in accordance with the requirements of the Advisers Act. Please see response to Item 10 for information about how investment opportunities are allocated.

A copy of MLIA's Code of Ethics is available to any client or prospective client upon request.

Although MLIA is the investment manager to three alternative funds of funds, the sole investors in which are MLIA's affiliates and investment opportunities are not open to non-affiliates. As such, MLIA does not believe that this arrangement raises additional conflicts of interest.

## **Item 12: Brokerage Practices**

Factors which MLIA considers in utilizing a particular broker-dealer include its financial strength, reputation, execution, pricing, research and service. The commissions and/or transaction fees charged by a particular broker-dealer may be higher or lower than those charged by other broker-dealers.

When MLIA selects a particular broker-dealer to execute transactions, it will ensure that any commission paid complies with its duty to obtain "best execution." In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a financial institution's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. MLIA seeks competitive rates but may not necessarily obtain the lowest possible commission rates for transactions.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist MLIA in its investment decision-making process. Such research generally will be used to service all of MLIA's clients, but all research will not be applicable to each client. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because MLIA does not have to produce or pay for the products or services.

Additionally, for certain transactions executed on behalf of the MetLife Funds, MLIA may direct certain trades to broker-dealers where it will receive no-fee transactions (i.e., no commissions are paid) or outperformance deals (i.e., price improvement for "Market On Close" trades) on trades related to index changes or rebalances. Any financial benefit from these transactions directly benefits the MetLife Funds and MLIA receives no financial benefit from these arrangements.

MLIA periodically and systematically reviews its policies and procedures regarding its selection of financial institutions to execute transactions in light of its duty to obtain best execution.

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

MLIA monitors account portfolios on an ongoing basis and conducts regular account reviews on at least a quarterly basis. Such reviews are conducted by investment professionals within MLIA. MLIA may also leverage certain of MetLife's regional offices for additional reviews and support. MLIA contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's investment objectives.

MLIA provides clients with supplemental reports that may include such relevant account and/or market-related information. The content of those reports, as well as the frequency with which they are delivered by MLIA, are set forth in the applicable agreement between MLIA and the client.

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

MLIA may pay unaffiliated solicitors a referral fee for client introductions in accordance with the requirements of Rule 206(4)-3 of the Advisers Act. Any referral fee is paid by MLIA and does not result in any additional charge to the client. Unaffiliated solicitors will provide clients with a copy of MLIA's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement (including compensation).

## **Item 15: Custody**

As discussed in Item 13, MLIA may prepare periodic supplemental reports. Any supplemental reports should be carefully reviewed and compared against statements received directly from the account custodian, to the extent the account contains the types of securities that would be held with a custodian.

To the extent MLIA has the authority to request a financial institution to debit its advisory fee from a client's account and remit the fee directly to MLIA, MLIA ensures that it has written authorization from the client and that any such debit is done in accordance with applicable custody rules.

### *Surprise Examination Requirement*

MLIA has contracted with an independent accountant to obtain a surprise examination of any assets over which it may be deemed to have custody (outside of a pooled investment vehicle) as required by the Custody Rule. In addition, these assets are maintained with a qualified custodian, and MLIA ensures it has a reasonable belief that the custodian is sending the client quarterly statements.

### *Delivery of Audited Financial Statements*

MLIA obtains and distributes US GAAP audited financials for each pooled investment vehicle it manages to the funds' investors within the required timeframe for each such vehicle to comply with the Custody Rule for such accounts.

## **Item 16: Investment Discretion**

For certain client accounts, MLIA has the authority, without obtaining specific client consent, to determine any purchases and sales to be made within an account. This discretionary authority is, however, subject to the terms of the investment management agreement or offering documents, which may limit the scope of MLIA's discretionary authority.

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

MLIA generally does not provide investment management services on the type of investments that generate proxies, except in its role as subadvisor to BIA.

MLIA may vote client securities (proxies) on BIA's behalf. MLIA has implemented policies and procedures (the "Proxy Policies") that govern how MLIA votes proxies. The Proxy Policies have been designed to ensure that client securities are voted in the best interests of clients in accordance with applicable rules.

The Proxy Policies are based on the guiding principle of maximization of economic value of client holdings. MLIA does not permit voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle. The Proxy Policies are designed to ensure that material conflicts of interest on the part of MLIA or its affiliates do not affect voting decisions on behalf of clients.

Based on the guiding principle that all votes made by MLIA on behalf of its clients must be made in the best interest of the clients and with the intent to maximize the economic value of clients' securities holdings, MLIA has implemented detailed proxy voting guidelines (the "Guidelines") that set forth how MLIA plans to vote on specific matters presented for shareholder vote. The indicated vote in the Guidelines is the governing position on any matter specifically addressed by the Guidelines. MLIA, however, may deviate from the Guidelines with respect to a particular shareholder vote when such action is consistent with the guiding principle of seeking the maximization of economic value to clients, taking into consideration all relevant facts and circumstances at the time of the vote. Prior to deviating from the guidelines, MLIA's Proxy Policy Committee, which is comprised of senior MetLife investment personnel, and legal and compliance personnel and which includes at least one officer of MLIA, must first make a determination whether there is any material conflict of interest between MLIA (or any of its affiliates) and clients.

MLIA has retained Institutional Shareholder Services ("ISS") to handle the administrative aspects of voting proxies. ISS monitors client accounts and their holdings to be sure that all proxies are received and voted consistent with MLIA's Guidelines. Should a proxy arise that is not covered by the Guidelines, the proxy will be voted in accordance

with ISS' guidelines. In addition, MLIA regularly monitors matters presented for shareholder vote and tracks the voting of the Proxies.

Clients may obtain a copy of the Proxy Policies and information regarding how MLIA voted securities held in their accounts, by contacting MLIA at (973) 355-4000.

**Item 18: Financial Information**

MLIA does not require or solicit fees of more than \$1,200 per client, six months or more in advance. In addition, MLIA does not have any financial conditions reasonably likely to impair its ability to meet contractual commitments to clients. Lastly, MLIA has not been the subject of a bankruptcy petition in the past 10 years.

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

MLIA is not a state-registered adviser and is not required to respond to this Item.