

BNY Investment Strategy and Solutions Group, LLC

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**Form ADV Part 2A**  
**(As of December 31, 2017)**

**This brochure provides information about the qualifications and business practices of BNY Investment Strategy and Solutions Group, LLC (“ISSG,” “we,” or “us”). If you have any questions about the contents of this Brochure, please contact us at 1-617-722-7446. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**BNY Investment Strategy and Solutions Group, LLC is registered with the SEC as an investment adviser. Registration of an investment adviser does not imply any level of skill or training.**

**Additional information about BNY Investment Strategy and Solutions Group, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2. Summary of Material Changes**

ISSG's last update of its Brochure was on December 31, 2017. There have been no material changes to the Brochure since the last update.

### **Item 3. Table of Contents**

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## **Item 4. Advisory Business**

ISSG) is a limited liability company organized under the laws of the State of Delaware. We are wholly owned by MBC Investments Corporation, which in turn is a wholly owned subsidiary of The Bank of New York Mellon Corporation (“BNY Mellon”).

ISSG was formed in June 2015 and registered with the SEC as an investment adviser on or about September 11, 2015. We provide discretionary and non-discretionary investment advisory services through manager-of-managers and fund-of-funds programs. ISSG generally does not manage individual securities and investment positions, although it may do so in certain circumstances, notably with respect to Exchange-Traded Funds (“ETFs”). Rather, we allocate (or recommend allocation of) assets to a variety of underlying investment managers (“Sub-Advisers”) or underlying pooled investment vehicles (“Underlying Funds”). *Refer to Section 8 for a discussion of the Sub-Adviser selection process.*

We provide our services primarily to institutional clients, but may provide services to other types of investors as well. ISSG business is limited to U.S. operations; however, ISSG may serve clients and investors from around the world and a portion of ISSG’s clients and investors may be from outside of the US. *Please refer to item 7 for a discussion of ISSG’s clients.*

ISSG manages customized manager-of-managers programs, generally through the use of separate accounts and/or participation in Underlying Funds, across a number of specific asset classes. Our programs specialize in providing clients with tailored solutions for their return and risk objectives by utilizing a multi-manager approach across multiple asset classes. Our programs primarily allocate (or recommend allocation of) assets to affiliated Sub-Advisers and/or Underlying Funds managed by affiliates, however, non-affiliated Sub-Advisers and/or Underlying Funds may be utilized where affiliated services/products are unavailable or otherwise unsuitable. Where suitable Sub-Advisers and Underlying Funds are not available, or are otherwise not preferred by clients, ISSG may invest in ETFs to gain exposure to a given asset class. The selection of investment strategies and vehicles is based on a combination of potential returns related to both the strategy as well as the asset class that the strategy is benchmarked to, risk levels, fees, as well as general fit with the objectives of both the client and the overall strategy.

ISSG offers investment advisory services tailored to meet clients’ investment goals. With respect to separate accounts, we work with clients to create investment guidelines mutually acceptable to the client, the Sub-Adviser(s) and ISSG. When creating investment guidelines, clients may impose investment restrictions in certain individual securities or types of securities.

We may offer investment advisory services in the form of pooled investment vehicles or “funds”. Each pooled investment vehicle will have an investment objective and a set of investment policies and/or guidelines that we must follow. Similarly, where investments are made in Underlying Funds, each Underlying Fund has a set of investment guidelines that must be followed. For this reason, will not be able to tailor the investment advisory services we provide to our funds to meet individual investor needs. In addition, we will not be able to impose

individual investment restrictions on our investment strategies for underlying investors in the pooled investment vehicles.

If consistent with client's investment objective, we anticipate investing client assets in collective investment funds or other separately managed accounts for which The Bank of New York Mellon, an affiliated New York State chartered bank (the "Bank"), serves as trustee and account custodian. *Please also see Item 10 (Dual Officers and Employees).* The collective investment funds are further described in Schedule A(s) of the applicable Bank collective investment fund plan documents, which are available upon request. We may also manage similar portfolios as separate accounts and act as sub-advisor to registered investment companies, UCITS funds, private funds, and other commingled vehicles.

Pursuant to arrangements between ISSG and certain of its affiliates, including The Bank of New York Mellon, certain ISSG personnel act as employees of these affiliates for the purpose of performing investment management functions ("Dual Officers"). Where Dual Officer managed accounts are managed by ISSG personnel, ISSG policies and procedures are applied. *Please see Item 12 for a detailed description of our trading practices.*

Pursuant to investment management agreements between ISSG and certain of its affiliates, ISSG may provide investment advisory services to certain of its affiliates in the form of separately managed accounts. *Please see Item 10 for more information regarding our affiliates.*

ISSG may also provide investment advisory services under wrap fee arrangements. A client in a wrap program typically receives professional investment management of account assets through one or more investment advisers (including ISSG) participating in the program, and trade execution, custodial, performance monitoring & reporting and other services through the Sponsor, for a single, all-inclusive (or "wrap") fee charged by the Sponsor based on the value of the client's account assets. The Sponsor typically assists the client in defining the client's investment objectives based on information provided by the client, aids in the selection of one or more investment managers to manage the client's account, and periodically contacts the client to ascertain whether there have been any changes in the client's financial circumstances or objectives that warrants a change in the arrangement or the manner in which the client's assets are managed. ISSG may also serve as non-discretionary asset manager in certain programs, in which ISSG would provide portfolio recommendations to the Sponsor and the Sponsor would retain discretion as to whether or not to implement the portfolio recommendations for their client accounts. ISSG would not consider the Sponsor's clients to be clients of ISSG. In such circumstances, Sponsors and not ISSG would be solely responsible for providing brokerage, reporting, performance, custody, and suitability services to program participants.

As of 12/31/2017, ISSG manages \$859,064,155 on a discretionary basis and \$0.00 on a nondiscretionary basis.

## **Item 5. Fees and Compensation**

For its services, ISSG charges management fees, that are typically based on a percentage of the total market value of the assets under management as of a specific date. ISSG may pay Sub-Advisers management fees from our management fees or ISSG's fees may be net of underlying fees/expenses of the Sub-Advisers and/or Underlying Funds to which ISSG allocates, depending on the circumstances of a client's agreement. Where ISSG develops customized manager-of-managers programs tailored to meet clients' investment goals, fees are negotiated on a case-by-case basis.

Accounts are generally billed quarterly, in arrears. Unless otherwise directed by the client, ISSG calculates the gross period management fees based upon a 30 day month and a 360 day year. Market values are sourced from the accounting systems of affiliated service providers unless specifically directed otherwise by the client.

ISSG may from time to time enter into performance based fee arrangements in accordance with Section 205-3 of the Advisers Act. These arrangements are negotiated with each client but typically provide for an annual asset based management fee based on the market value of the account as of a specified date, typically semi-annually or quarterly, and invoiced on a semi-annual or quarterly basis in arrears, plus a performance fee based on the portfolio's return above a benchmark for the relevant billing period.

ISSG does not charge or receive compensation in connection with the sale of securities/private funds/mutual funds/or other investment products. However, certain employees of our affiliates accept compensation (also referred to as "commissions") for the sale of securities/private funds/mutual funds/or other investment products. Accepting commissions gives rise to a conflict of interest in that it may give employees of our affiliates an incentive to recommend investment products based on the compensation they will receive, rather than solely on a client's needs. *Please refer to Item 10, below, for a discussion of these conflicts of interest.*

All fees paid to ISSG are separate from any fees and expenses that are charged by a mutual fund to shareholders of mutual fund shares (for accounts that hold shares of mutual funds). A complete explanation of expenses charged by the mutual fund is contained in each mutual fund's prospectus.

ISSG generally charges clients one "all in" fee for its services and the services of Sub-Advisers or Underlying Funds. However, depending on the circumstances of a client's agreement, clients may also incur investment management fees from the various Sub-Advisers selected within a particular manager-of-managers program. In all cases, Sub-Adviser investment management fees are negotiated by ISSG with the individual Sub-Advisers.

For ISSG separate accounts, in addition to paying investment management fees to ISSG and the Sub-Advisers, clients may also incur other investment expenses such as mark-ups, mark-downs, commissions, interest on margin accounts and other indebtedness; odd-lot differentials, transfer taxes, wire transfers, electronic fund fees, borrowing charges on securities sold short; custodial

fees; bank service fees; client-related insurance costs; and any other expenses related to the purchase, sale or transmittal of the client's assets. Investors may indirectly bear these fees and expenses and, as a result, will bear higher expenses than if they invested directly in the underlying securities.

Where ISSG manages a pooled investment vehicle, the vehicle's fees will be comprised of related party and third party expenses. Related party expenses include an administrative fee paid to a trustee and/or custodian for the custody and administration of the pooled investment vehicle and other fees associated with affiliated Underlying Funds. Third party expenses may include outside audit expenses, NSCC fees, third party facilitation, vendor fees, fees associated with non-affiliated Underlying Funds, legal fees, and similar expenses. If exchange-traded funds or mutual funds are purchased, there are additional expenses, including management fees, embedded within those Underlying Funds and imposed on an ISSG managed pooled investment vehicle which may negatively impact the pooled investment vehicle's performance.

Please review the applicable Sub-Adviser's Form ADV and/or the applicable Fund's offering materials for further information regarding applicable fees.

Please review your investment advisory agreement for further information on how we charge and collect fees. *Please see Item 12 of this brochure for more information on our brokerage practices.*

## **Item 6. Performance Fees and Side-by-Side Management**

Our performance based fee arrangements and our side-by-side management activities entail inherent conflicts that are described in this Item 6.

We have entered into performance based fee arrangements with certain institutional clients. Most of these arrangements provide for an asset based management fee, based on the market value of the account at a specified date, typically semi-annually or quarter end, plus a performance fee based on the portfolio's net return in excess of a specified benchmark during a designated period of time. ISSG may from time to time enter into performance based fee arrangements in accordance with Section 205-3 of the Advisers Act. These arrangements are negotiated with each client but typically provide for an annual asset based management fee based on the market value of the account as of a specified date, typically semi-annually or quarterly, and invoiced on a semi-annual or quarterly basis in arrears, plus a performance fee based on the portfolio's return above a benchmark for the relevant billing period. For more detailed information on how performance fees are calculated, please refer to the applicable investment management agreement.

"Side-by-side management" refers to our simultaneous management of multiple types of client accounts/investment products. For example, ISSG personnel may simultaneously manage separate accounts and pooled investment vehicles for clients at the same time. Our clients have a variety of investment objectives, policies, strategies, limitations and restrictions. Additionally, our affiliate Sub-Advisors or Underlying Fund Managers may likewise manage a variety of separate accounts and pooled investment vehicles for clients at the same time.

Side-by-side management gives rise to a variety of potential and actual conflicts of interest for us, our personnel and our supervised persons. Below we discuss the conflicts that we and our personnel and supervised persons face when engaging in side-by-side management and how we deal with them. Note that our personnel are also officers or employees of one or more ISSG affiliates ("Dual Officers"). These Dual Officers undertake investment management duties for the affiliates of which they are officers. Where we and our affiliates concurrently manage client accounts or investment products, and particularly where dual employees are involved, this presents the same conflicts as described below. *Please see Item 10 for more information on our dual officer arrangements*

Note that we manage our accounts consistent with applicable law, and follow procedures that are reasonably designed to treat our clients fairly and to prevent any client or group of clients from being systematically favored or disadvantaged. For example, we have trade allocation procedures which are designed and implemented to ensure that all clients are treated fairly and equally, and to prevent these conflicts from influencing the allocation of investment opportunities among clients. *Please see Item 12 for an explanation of our trade allocation procedures.*

### **Conflicts of Interest Relating to Accounts with Different Strategies**



We and our affiliates manage numerous pooled investment vehicles and separate accounts with a variety of strategies, which may present conflicts of interest. *For further information, please see “Additional Risks Associated with Traditional Manager-of-Managers Investment Programs” under Item 8 below.* Sub-Advisers or Underlying Fund managers may manage other accounts and may have financial incentives to favor certain of such accounts over an ISSG separate account or pooled investment vehicle. Any of their proprietary accounts and other customer accounts will compete with an ISSG separate account or pooled investment vehicle for specific trades, or may hold positions opposite to positions maintained on behalf of an ISSG separate account or pooled investment vehicle. Sub-Advisers or Underlying Fund managers may give advice and recommend securities to, or buy or sell securities for, ISSG separate accounts or pooled investment vehicles, which advice or securities may differ from advice given to, or securities recommended or bought or sold for, other accounts and customers even though their investment objectives may be the same as, or similar to, those of the ISSG separate account or pooled investment vehicle.

### **Conflicts of Interest Relating to use of Brokers**

Each of the brokers used by the Sub-Advisers to execute trades may have numerous clients and may be executing trades for a variety of different clients in the same market at the same time. Although each broker will generally act as an agent, not as a principal, in such transactions, executing orders for different, and possibly competing, customers at the same time may involve an inherent conflict of interest.

Certain officers and employees of the brokers may be compensated, in part, on the basis of the trading activities of the various accounts, including the Sub-Adviser’s accounts, traded through such brokers.

Certain officers and employees of the brokers are, and may in the future be, members of United States securities and commodities exchanges and are presently serving, and may in the future serve, on the governing bodies and standing committees of such exchanges, their clearinghouses and various industry organizations. In such capacities, these employees have a fiduciary duty to the exchanges and their clearinghouses which could compel such employees to act in the best interest of these entities, perhaps to the detriment of an ISSG separate account or pooled investment vehicle. *Please see Item 12 of this brochure for more information on our brokerage practices.*

### **Conflicts of Interest Relating to the Management of Multiple Client Accounts**

ISSG and its affiliates perform investment advisory services for various clients. Accordingly, conflicts of interest may arise in connection with the allocation of investment opportunities between an ISSG separate account or pooled investment vehicle and other investment advisory clients. Should this occur, ISSG will allocate such investment opportunities among its investment advisory clients in a manner believed equitable by ISSG.

In addition, our affiliates may give advice and take action in the performance of their duties with respect to any of our clients, which may differ from the advice given, or the timing or nature of the action taken, with respect to another client. They have no obligation to purchase or sell for a

client any security or other property which they may purchase or sell for their own account or for the account of any other client if it is undesirable or impractical to take such action.

We may give advice or take action in the performance of our duties with respect to any of our clients which may differ from the advice given or the timing or nature of action taken by our affiliates, on behalf of their clients.

### **Other Conflicts of Interest**

As noted previously, we and our affiliates manage numerous accounts with a variety of investment strategies and underlying Sub-Advisers. This necessarily creates potential conflicts of interest for us and our clients. For example, we or an affiliate may cause multiple accounts to invest, directly or indirectly, in the same investment. Such accounts may have conflicting interests and objectives in connection with such investment, including differing views on the operations or activities of the portfolio company, the targeted returns for the transaction and the time frame for and method of exiting the investment. Conflicts may also arise in cases where multiple affiliated Sub-Advisers' pooled investment vehicles or separate accounts are invested in different parts of an issuer's capital structure. For example, one of our client account's Sub-Advisers could acquire, directly or indirectly, debt obligations of an issuer while another client account's Sub Adviser acquires an equity investment in the same issuer. In negotiating the terms and conditions of any such investments, we may find that the interests of the debt-holding client account's Sub-Adviser and the equity holding client account's Sub-Adviser may conflict.

### **Conflicts of Interest Relating to Investment in Affiliated Accounts**

To the extent permissible under applicable law, we may decide to invest some or all of our temporary investments in money market accounts advised or managed by a BNY Mellon affiliate. In addition, we may invest client accounts in affiliated pooled vehicles. We have an incentive to allocate investments to these types of affiliated accounts in order to generate additional fees for us or our affiliates. *Please refer to Item 12 for an explanation of the conflicts associated with investment in affiliated accounts.*

### **Conflicts of Interest Relating to Affiliates**

*Please refer to Item 10 for an explanation of the conflicts associated with the business of our affiliates.*

## **Item 7. Types of Clients**

### **Type of Clients**

We may provide advisory services to high net worth individuals, family offices, banks or thrift institutions, corporate pension and profit sharing plans, Taft-Hartley plans, 401(k) Plans, public funds, Voluntary Employee Beneficiary Associations (“VEBAs”), trusts, estates, charitable institutions, foundations, endowments, municipalities, U.S. registered investment companies, U.S. and “offshore” (non-U.S.) private investment funds, UCITS, other non-US regulated funds, sovereign funds, separate accounts, and other U.S. and international institutions.

### **Separate Account Requirements**

We generally require separate account clients to execute a written investment management agreement with us, granting us authority to manage their assets. Separate accounts are subject to minimum account sizes depending on the investment objectives of a particular strategy; however, we reserve the right to waive such minimum account size requirements or other terms in our discretion.

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

ISSG manages customized manager-of-managers programs, generally through the use of separate accounts and/or participation in Underlying Funds, across a number of specific asset classes. Our programs specialize in providing clients tailored solutions for their return and risk objectives by utilizing a multi-manager approach across multiple asset class. Our programs primarily allocate (or recommend allocation of) assets to affiliated Sub-Advisors and/or Underlying Funds managed by affiliates, however, non-affiliated Sub-Advisors and/or Underlying Funds may be utilized where affiliated services/products are unavailable or otherwise unsuitable. The selection of investment strategies and vehicles is based on a combination of potential returns related to both the strategy as well as the asset class that the strategy is benchmarked to, risk levels, fees, as well as general fit with the objectives of both the client and the overall strategy.

### **Method of Analysis**

#### **Beliefs**

ISSG investment process begins with a core set of beliefs:

- Systemic or macroeconomic risk matters;
- Capital markets are in constant flux as they move away from and toward a sense of equilibrium;
- Markets are adaptive;
- Behavioral biases exist;
- Market dislocations occur and can persist, allowing for an active asset allocation process to potentially add value;
- Risk is defined by client objectives;
- Risk is neither constant nor normally distributed;
- Risk is best viewed through multiple lenses, including macroeconomic regimes.

ISSG's investment process is "quantamental" in nature, which is to say it is a combination of both fundamental and quantitative components, and is reflective of its investment beliefs. With these beliefs as a backdrop, ISSG typically makes three assumptions in constructing customized portfolios for clients:

- All else constant, a portfolio that is more familiar to the client is better than one that is less familiar when seeking to achieve their investment objectives;
- A "market" or "consensus" portfolio is a suitable place to start in the portfolio construction process with the ultimate goal of creating a robust, customized portfolio that is aligned with investor objectives, through the use of ISSG's portfolio construction lenses;
- When implementing customized portfolios, constraints and opportunities may present themselves during the assessment of available investment instruments.

### Strategic Asset Allocation

Once client objectives are determined, our strategic portfolio construction process begins with applicable asset class research to better understand the dynamic nature of each asset class, their behaviors, and relationships with one another in a multi-asset portfolio context. Next, a strategic portfolio is constructed with the overall investment objective used as a guiding principle. ISSG utilizes its multiple investment lenses to evaluate the risk of the portfolio from multiple perspectives to ensure (1) that the risk embedded in the portfolio is in line with client objectives and (2) that the expectation of compensation for bearing the risk is commensurate with client objectives.

### Tactical Asset Allocation Ranges

Once a strategic asset allocation is finalized, the allowable weight ranges of each asset class are determined to allow for both active asset allocation decisions to be made in order to seek to add value from market undulations, and also to determine the allowable active risk of the portfolio as defined by tracking error in relation to the strategic asset allocation.

### Portfolio Implementation

Once the strategic asset allocation and allowable tactical asset allocation ranges have been established, the various applicable asset class sleeves are populated with underlying investment strategies. As mentioned above, the underlying separate accounts and/or Underlying Funds are typically managed by ISSG affiliates; however, non-affiliated Sub-Advisers and/or Underlying Funds may be utilized where affiliated services/products are unavailable or otherwise unsuitable. The underlying investment strategies may be active or passive in nature.

ISSG considers the interaction and risk composition of underlying investment strategies in portfolio construction in a similar fashion as the asset class selection. The characteristics and behaviors of the underlying investment strategies are researched and observed as a step in the strategy selection process.

With underlying investment strategies selected to populate each asset class sleeve and the asset allocation weight ranges established relative to strategic weights, the portfolio is implemented, overseen, and monitored by an assigned portfolio manager within ISSG in conjunction with the ISSG Investment Committee (the “Investment Committee”) to ensure that client objectives and portfolio guidelines are being adhered to and ensure that ISSG investment views are being implemented within the parameters of the portfolio’s investment guidelines.

A sub-committee of the ISSG Investment Committee (the “Manager Review Committee”) meets at least monthly to review performance of each of the managers and strategies that ISSG utilizes in its programs. This Manager Review Committee may meet more frequently as needed. The Manager Review Committee is responsible for selection and monitoring of each manager and/or strategy utilized by ISSG. The Manager Review Committee conducts annual compliance and operational due diligence reviews of Sub-Advisers and utilizes the affiliated BNY Mellon

Manager Research Group as a reviewer of Sub-Advisory services and products, and provider of Sub-Adviser performance analytics.

## **General Risks**

The risks set forth below represent a general summary of the material risks involved in the investment strategies we offer. For additional information specific to an underlying investment strategy, please review the applicable Sub-Adviser's Form ADV and/or the applicable Fund's offering materials.

**Risk of Loss.** Each investment strategy we offer invests in a variety of securities and employs a number of investment techniques that involve certain risks. Investment involves risk of loss that clients and investors should be prepared to bear. We do not guarantee or represent that our investment program will be successful. Our past results are not necessarily indicative of our future performance and our investment results may vary over time. We cannot assure you that our investments of your money will be profitable, and in fact, you could incur substantial losses. Your investments with us are not a bank deposit and are not insured or guaranteed by the FDIC or any other government agency.

**Lack of Operating History.** Certain of the underlying Sub-Advisers or Underlying Funds may be newly formed and have little or no operating history upon which investors can evaluate the anticipated performance of such investments. Any past investment performance of Sub-Advisers or Underlying Funds with which ISSG expects to place its assets cannot be relied upon as an indication of the future results of an investment with ISSG. ISSG's investment program should be evaluated on the basis that there can be no assurance that ISSG's assessments of Sub-Advisers or Underlying Funds, and in turn their assessments of the short-term or long-term prospects of investments, will prove accurate or that ISSG will achieve its investment objective.

**Limited Information Regarding Sub-Advisers.** Although ISSG will receive information from each prospective Sub-Adviser regarding such Sub-Adviser's historical performance, if any, and investment strategy, in most cases ISSG may have limited means of independently verifying the information supplied to it by such Sub-Advisers. The absence of detailed information could result in significant losses to ISSG separate accounts or pooled investment vehicles.

## **Investment Related Risks**

ISSG allocates capital to Sub-Advisers that invest in, and actively trade, securities and other financial instruments using a variety of strategies and investment techniques with significant risk characteristics. No guarantee or representation is made that an ISSG pooled investment vehicles' or separate accounts' investment programs will be successful. Prospective investors and clients should consider the following additional factors in determining whether an investment with ISSG is a suitable investment:

**Allocation risk.** The asset classes in which a particular strategy seeks investment exposure can perform differently from each other at any given time (as well as over the long

term), so strategies will be affected by their allocation among the various asset classes. If a strategy favors exposure to an asset class during a period when that class underperforms, performance may be hurt.

**Liquidity risk.** When there is little or no active trading market for specific types of securities in which Sub-Advisers or Underlying Funds may invest, it can become more difficult to sell such securities at or near their perceived value. In such a market, the value of such securities and the value of your investment may fall dramatically, even during periods of declining interest rates. Liquidity risk also exists when a particular derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price.

**Market Risk.** Since the assets of an ISSG separate account or pooled investment vehicle are invested primarily in securities, such assets, like any market portfolio, are vulnerable to market risk -- the possibility that asset prices in general will decline over short or even extended periods. Asset prices are volatile from year to year; accordingly, an ISSG separate account or pooled investment vehicle is generally suited to investors who are willing to hold their investment over a long horizon.

**Valuations.** Certain securities in which Sub-Advisers or Underlying Funds invest may not have a readily ascertainable market price. Such securities are nevertheless generally valued by the Sub-Advisers or Underlying Fund Managers, their appointed administrators, or third party pricing agents. Valuation is ordinarily conclusive with respect to an ISSG separate account or pooled investment vehicle, even though Sub-Advisers or Underlying Fund Managers generally faces a conflict of interest in valuing such securities because the value of the securities will affect their compensation.

## **Risks of Securities Activities**

All securities investing and trading activities risk the loss of capital. There can be no assurance that ISSG pooled investment vehicles' or separate accounts' investment activities will be successful or that investors will not suffer losses. The following discussion sets forth some of the more significant risks associated with the Sub-Advisers' and ISSG pooled investment vehicles' or separate accounts' style of investing:

**Equity Securities.** The value of equity securities may fluctuate in response to specific situations for each company, industry market conditions and general economic environments. Sub-Advisers or Underlying Funds may acquire long and short positions in listed and unlisted common equities, preferred equities and convertible securities of issuers domiciled in developed or in emerging countries. (See "Investments in Emerging Markets" below.) Sub-Advisers or Underlying Funds may invest in equity securities regardless of market capitalization, including micro and small cap companies. The securities of smaller companies may involve more risk and their prices may be subject to more volatility. Sub-Advisers or Underlying Funds may also invest in distressed equity securities, which are generally considered to be riskier, more speculative and less liquid than other equity securities.

**Issuer Risk.** The value of a security may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's products or services.

**Smaller Company Risk.** To the extent that a Sub-Adviser or Underlying Fund invests in small and midsize companies, an ISSG separate account or pooled investment vehicle is subject to additional risks because the earnings and revenues of these companies tend to be less predictable (and some companies may experience significant losses), and their share prices more volatile than those of larger, more established companies. The shares of smaller companies tend to trade less frequently than those of larger, more established companies, which can adversely affect the pricing of these securities and the fund's ability to sell these securities.

**Value Stock Risk.** Value stocks involve the risk that they may never reach their expected market value, either because the market fails to recognize the stock's intrinsic worth or the expected value was misgauged. They also may decline in price even though in theory they are already undervalued.

**Market Sector Risk.** Sub-Advisers or Underlying Funds may significantly overweight or underweight certain companies, industries or market sectors, which may cause an ISSG pooled investment vehicle's or separate account's performance to be more or less sensitive to developments affecting those companies, industries or sectors.

**Foreign currency risk.** Investments in foreign currencies are subject to the risk that those currencies will decline in value relative to the U.S. dollar, or in the case of hedged positions, that the U.S. dollar will decline relative to the currency being hedged. Currency exchange rates may fluctuate significantly over short periods of time. A decline in the value of foreign currencies relative to the U.S. dollar will reduce the value of securities held by the strategy and denominated in those currencies. Foreign currencies are also subject to risks caused by inflation, interest rates, budget deficits and low savings rates, political factors and government controls.

**Foreign Investment Risk.** Special risks associated with investments in foreign companies include exposure to currency fluctuations, less liquidity, less developed or less efficient trading markets, lack of comprehensive company information, political instability and differing auditing and legal standards. The securities of issuers located in emerging markets can be more volatile and less liquid than those of issuers in more mature economies.

**Investments in Emerging Markets.** Certain Sub-Advisers or Underlying Funds may invest in securities of companies operating in emerging markets and in emerging markets' currencies. Investing in the securities of such companies and countries involves certain considerations not usually associated with investing in developed countries, including political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gain or other income; the small size of the securities markets in some such countries and the low volume of trading, resulting in



potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict a Sub-Adviser's or Underlying Fund's investment opportunities. In addition, accounting and financial reporting standards that prevail in many such countries may not provide adequate information to investors. There is also less regulation, generally, of securities markets in emerging countries than there is in developed countries.

**Fixed-Income Securities.** Certain Sub-Advisers or Underlying Funds may invest in fixed income securities. The value of fixed-income securities in which Sub-Advisers or Underlying Funds invest will change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities can fluctuate in response to perceptions of credit worthiness, political stability or soundness of economic policies. Valuations of other fixed-income instruments, such as mortgage-backed securities, may fluctuate in response to changes in the economic environment that may affect future cash flows. Except to the extent that values are independently affected by currency exchange rate fluctuations, when interest rates decline, the value of fixed-rate, fixed-income securities generally can be expected to rise. Conversely, when interest rates rise, the value of the same fixed-income securities generally can be expected to decline. Sub-Advisers or Underlying Funds may invest in U.S. and non-U.S. issuers of fixed-income securities. The Sub-Advisers or Underlying Funds may invest in both investment grade and non-investment grade debt securities, including "high-yield" or "junk bonds" and "distressed securities."

**ERISA Plan Assets Status of an ISSG Separate Account.** We anticipate that the assets of a separate account (and therefore the Sub-Advisers' Accounts) may, from time to time, be treated as "plan assets" within the meaning of Section 3 (42) of ERISA of those investors that are subject to the provisions of Title I of ERISA and/or the prohibited transaction provisions of Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"). In such event, ISSG and each Sub-Adviser would be treated as a fiduciary with respect to each such investor that is a Benefit Plan Investor. In addition, in the event that the assets of an ISSG separate account (and therefore the Sub-Adviser Accounts) were treated as "plan assets" for the purpose of ERISA, ERISA may impose certain limitations on the operation of the ISSG separate account and such Sub-Adviser Accounts. Accordingly, ERISA could materially limit the activities of an ISSG separate account and the Sub-Adviser Accounts, as applicable, and, as a result, investors should expect that an ISSG separate account and the Sub-Adviser Accounts, as applicable will not be able to take advantage of certain investment opportunities, will have a different portfolio and could have a lower rate of return than if it were not subject to ERISA.

**Exchange-Traded Funds Risk.** ETFs in which ISSG, Sub-Advisers, or Underlying Funds may invest involve certain inherent risks generally associated with investments in a portfolio of common stocks, including the risk that the general level of stock prices may decline, thereby adversely affecting the value of each unit of the ETF. Moreover, an ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain index securities in the secondary market or discrepancies between the ETF and the index with respect to the weighting of securities or the number of stocks held. Investing in ETFs, which are investment companies, may involve duplication of advisory fees and certain other expenses.

## **Risk Factors for Traditional Manager-of-Manager Accounts**

**Dependence on the Investment Manager and Sub-Advisers.** We as investment manager invest assets of an ISSG separate account or pooled investment vehicle through Sub-Advisers or Underlying Funds. The success of an ISSG separate account or pooled investment vehicle depends upon the ability of ISSG and Sub-Advisers or Underlying Fund Managers to develop and implement investment strategies that achieve clients' investment objectives. Subjective decisions made by ISSG and/or the Sub-Advisers or Underlying Fund Managers may cause an ISSG separate account or pooled investment vehicle to incur losses or to miss profit opportunities on which it would otherwise have capitalized. In addition, the overall performance of an ISSG separate account or pooled investment vehicle is dependent not only on the investment performance of individual Sub-Advisers or Underlying Funds, but also on our ability to select and allocate an ISSG separate account or pooled investment vehicle's assets among such Sub-Advisers or Underlying Funds effectively on an ongoing basis. There can be no assurance that the allocations made by ISSG will prove as successful as other allocations that might have been made, or as adopting a static approach in which Sub-Advisers or Underlying Funds are not changed.

As the Sub-Advisers and Underlying Funds with which ISSG invests may be in an early stage of formation or operation, this can pose a number of operational and other issues. For example, in its early stages the Sub-Adviser or Underlying Funds may have little capital available to cover expenses and, accordingly, may have difficulty attracting qualified personnel. Sub-Advisers or Underlying Funds may face competition from other investment vehicles, which may be more established, have a larger number of qualified management and technical personnel and benefit from a larger capital base.

**Managed Account Allocations.** ISSG retains Sub-Advisers to manage client separate accounts on a discretionary basis. Under this structure, the client accounts managed by Sub-Advisers are not subject to limited liability protections, and it is theoretically possible that a client's separate account could lose more in a separate account managed by a particular Sub-Adviser than the amount ISSG had allocated to such Sub-Adviser to invest.

**Fee Structure.** ISSG utilizes a "manager-of-managers" investment strategy, pursuant to which assets will be invested by multiple Sub-Advisers or Underlying Funds. Investment management fees are typically charged to ISSG separate accounts or pooled investment vehicles solely by ISSG, with ISSG remaining responsible for fee payments to underlying Sub-Advisers or Underlying Funds. However, additional operational or administration fees may not be included.

**Overlapping Investment Strategies.** The Sub-Advisers or Underlying Funds invest wholly independently of one another and may at times hold economically offsetting positions or cause an ISSG separate account or pooled investment vehicle to be concentrated in certain positions. To the extent that the Sub-Advisers or Underlying Funds do, in fact, hold economically offsetting positions, an ISSG separate account or pooled investment vehicle, considered as a whole, cannot achieve any gain or loss, despite incurring expenses. If an ISSG separate account or pooled investment vehicle is concentrated in a position, as a result of two or

more Sub-Advisers or Funds holding the same positions, the risks (or benefits) associated with such investments will be magnified.

**Limited Diversification.** ISSG generally seeks to diversify assets for its separate accounts or pooled investment vehicles through investments with various Sub-Advisers' or Underlying Funds' strategies. Such diversification may not be achieved as a result of insufficient investment opportunities or insufficient investable assets resulting from withdrawals or insufficient subscriptions by investors. In addition, although the diversification of ISSG separate accounts' or pooled investment vehicles' investments in a variety of securities and industries is intended to reduce ISSG separate accounts' or pooled investment vehicles' exposure to adverse events associated with specific issuers or industries, the number of investments by the Sub-Advisers or Underlying Funds may be limited, and the portfolios of some Sub-Advisers or Underlying Funds may be highly concentrated in particular companies, industries or countries. As a consequence, an ISSG separate account or pooled investment vehicle's returns as a whole may be adversely affected by the unfavorable performance of even a single investment by a Sub-Adviser or Underlying Fund.

### **Cybersecurity Risk:**

In addition to the risks described above that primarily relate to the value of investments, there are various operational, systems, information security and related risks involved in investing, including but not limited to "cybersecurity" risk. Cybersecurity attacks include electronic and non-electronic attacks that include but are not limited to gaining unauthorized access to digital systems to obtain client and financial information, compromising the integrity of systems and client data (e.g., misappropriation of assets or sensitive information), or causing operational disruption through taking systems off-line (e.g., denial of service attacks). As the use of technology has become more prevalent, we and the client accounts we manage have become potentially more susceptible to operational risks through cybersecurity attacks. These attacks in turn could cause us and client accounts (including funds) we manage to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss. Similar adverse consequences could result from cybersecurity incidents affecting issuers of securities in which we invest, counterparties with which we engage in transactions, third-party service providers (e.g., a client account's custodian), governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers and other financial institutions and other parties. While cybersecurity risk management systems and business continuity plans have been developed and are designed to reduce the risks associated with these attacks, there are inherent limitations in any cybersecurity risk management system or business continuity plan, including the possibility that certain risks have not been identified. Accordingly, there is no guarantee that such efforts will succeed, especially since we do not directly control the cybersecurity systems of issuers or third-party service providers.

## **Item 9. Disciplinary Information**

From time to time, we and/or BNY Mellon may be involved in regulatory examinations or litigation that arise in the ordinary course of our business. At this time we are not aware of any regulatory matters or litigation that we believe would be material to an evaluation of our advisory business or integrity of our management.

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

As previously noted, ISSG is an indirect wholly-owned subsidiary of BNY Mellon.

### **BNY Mellon is a Global Financial Services Company:**

BNY Mellon is a global financial services company providing a comprehensive array of financial services (including asset management, wealth management, asset servicing, clearing and execution services, issuer services and treasury services) through a world-wide client focused team that enables institutions and individuals to manage and service their financial assets. BNY Mellon Investment Management is the umbrella designation for BNY Mellon's affiliated investment management firms, wealth management business and global distribution companies and is responsible, through various subsidiaries, for U.S. and non-U.S. retail, intermediary and institutional distribution of investment management and related services.

The Sub-Advisers or Underlying Funds may enter into transactions with unaffiliated counterparties or third party service providers who then use our affiliates to execute such transactions. Additionally, they may effect transactions in American Depositary Receipts ("ADRs") or other securities and the involved issuers or their service providers may use affiliates for support services. Services may include, for example, clearance of trades, purchases or sales of ADRs, or other transactions not contemplated by us. Although one of our affiliates may receive compensation for engaging in these transactions and/or providing services, the decision to use or not use an affiliate of ours would be made by the unaffiliated counterparty, third party service provider, or issuer. Further, we will likely be unaware that the affiliate is being used to enter into such transaction or service.

BNY Mellon and/or its other affiliates may gather data from us about our business operations, including information about holdings within client portfolios, which is required for regulatory filings to be made by us or BNY Mellon or other affiliates (e.g., reporting beneficial ownership of equity securities) or for other compliance, financial, legal or risk management purposes, pursuant to policies and procedures of ISSG, BNY Mellon or other affiliates. This data is deemed highly confidential and procedures are followed to ensure that any information is utilized solely for the purposes intended.

### **BNY Mellon's Status as a Bank Holding Company**

BNY Mellon and its direct and indirect subsidiaries, including ISSG, are subject to certain U.S. banking laws, including the Bank Holding Company Act of 1956, as amended (the "BHCA"), to regulation and supervision by the Board of Governors of the Federal Reserve System (the "Federal Reserve"), and to the provisions of, and regulations under, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The BHCA and the Dodd-Frank Act (and other applicable banking laws, and their interpretation and administration by the appropriate regulatory agencies, including but not limited to the Federal Reserve) may restrict the transactions and relationships among BNY Mellon, its affiliates (including us) and our clients, and may restrict our investments, transactions and operations. For example, the BHCA regulations applicable to BNY Mellon and us may,

among other things, restrict our ability to make certain investments or the size of certain investments, impose a maximum holding period on some or all of our investments, and restrict our ability to participate in the management and operations of the companies in which we invest. In addition, certain BHCA regulations may require aggregation of the positions owned, held or controlled by related entities. Thus, in certain circumstances, positions held by BNY Mellon and its affiliates (including us) for client and proprietary accounts may need to be aggregated and may be subject to a limitation on the amount of a position that may be held. These limitations may have an adverse effect on our ability to manage client investment portfolios. For example, depending on the percentage of a company we and our affiliates (in the aggregate) control at any given time, the limits may: (1) restrict our ability to invest in a company for certain clients and/or (2) require us to sell certain client holdings of that company at a time when it may be undesirable to take such action. Additionally, BNY Mellon may in the future, in its sole discretion and without notice, engage in activities impacting us in order to comply with the BHCA or other legal requirements applicable to (or reduce or eliminate the impact or applicability of any bank regulatory or other restrictions on) us and accounts managed by us and our affiliates.

### **The Volcker Rule**

The Dodd-Frank Act includes provisions that have become known as the “Volcker Rule,” which restrict bank holding companies, such as BNY Mellon and its subsidiaries (including us) from (i) sponsoring or investing in a private equity fund, hedge fund or other “covered fund”, with the exception, in some instances, of maintaining a de minimis investment, subject to certain other conditions and/or exceptions, (ii) engaging in proprietary trading, and (iii) entering into certain transactions involving conflicts of interest (e.g., extensions of credit). The final Volcker Rule was jointly adopted by a group of U.S. federal financial regulators in December 2013 and generally must be implemented by BNY Mellon no later than July 21, 2017.

The Volcker Rule generally prohibits certain transactions involving an extension of credit between BNY Mellon and its affiliates, on the one hand, and “covered funds” managed by BNY Mellon and/or its affiliates (including us), on the other hand. BNY Mellon affiliates provide securities clearance and settlement services to broker-dealers on a global basis. The operational mechanics of the securities clearance and settlement process can result in an unintended intraday extension of credit between the securities clearance firm and a “covered fund.” As a result, we or our affiliated Sub-Advisers or Underlying Fund managers may be restricted in executing transactions for certain funds through broker-dealers that utilize a BNY Mellon affiliate as their securities clearance firm. Such restriction could prevent us from executing transactions through broker-dealers we would otherwise use in fulfilling our duty to seek best execution.

### **Affiliated Service Providers**

In addition, to the extent permitted by law, placement agents and their respective affiliates may provide brokerage and certain other financial and securities services to us, our affiliates or related private funds. Such services, if any, will be provided at competitive rates. BNY Mellon is

also affiliated with service providers, distributors and consultants that may provide services and may receive fees from BNY Mellon in connection with such services, which may incentivize such persons to distribute interests in a private fund or other BNY Mellon products.

### **Dual Officers and Employees**

Certain of our personnel act as officers or employees of The Bank of New York Mellon (the “Bank”), an affiliated New York state chartered bank, for the purpose of performing investment management and related functions. In their capacities as officers of the Bank, these ISSG personnel provide discretionary investment advisory services to certain collective investment funds and other investment accounts. We receive a fee for such services.

### **Other Relationships**

In addition, BNY Mellon personnel, including certain of our personnel, may have board, advisory, or other relationships with issuers, distributors, consultants and others that may have investments in a private fund and/or related funds or that may recommend investments in a private fund or distribute interests in a private fund. To the extent permitted by applicable law, BNY Mellon and its affiliates, including us and our personnel, may make charitable contributions to institutions, including those that have relationships with investors or personnel of investors. As a result of the relationships and arrangements described in this paragraph, placement agents, consultants, distributors and other parties may have conflicts associated with their promotion of a private fund, or other dealings with a private fund, that create incentives for them to promote a private fund.

Some of our clients may retain consulting firms to assist them in selecting investment managers. Some consulting firms provide services to both those who hire investment managers and to investment management firms. We may pay to attend conferences sponsored by consulting firms and/or purchase services from consulting firms where we believe those services will be useful to us in operating our investment management business. We do not pay referral fees to consultants. However, our clients and prospective clients should be aware that consulting firms may have business relationships with investment management firms that they recommend to their clients. BNY Mellon maintains a Code of Conduct that addresses these types of relationships and the potential conflicts of interest they may present, including the provision of gifts and entertainment.

BNY Mellon, among several other leading investment management firms, has a minority equity interest in Luminex Trading and Analytics, LLC (“Luminex”), a registered broker-dealer under the Exchange Act, which was formed for the purpose of establishing and operating a “buy-side” owned and controlled electronic execution utility for trading securities (the “Alternative Trading System”). Transactions for clients for which we serve as adviser or sub-adviser may be executed through the Alternative Trading System. We and BNY Mellon disclaim that either is an affiliate of Luminex.

### **Affiliated Broker-Dealers and Investment Advisers**

We are affiliated with a significant number of advisers and broker/dealers. Please see Form ADV, Part IA - Schedule D, Section 7.A for a list of our affiliated advisers and broker-dealers.

Several of our investment adviser affiliates have, collectively, a significant number of investment –related private funds for which a related person serves as sponsor, general partner or managing member (or equivalent), respectively. Please refer to ADV, Part 1A – Schedule D, Section 7.B. for each of our affiliated investment advisers for information regarding such firm’s private funds (if applicable) and such firm’s Form ADV, Part 1A – Schedule D, Section 7.A. for information regarding related persons that serve in a sponsor, general partner or managing member capacity (if applicable).

Where we or an affiliated Sub-Adviser or Underlying Fund Manager select the broker to effect purchases or sales of securities for client accounts, , we may use either an affiliated or unaffiliated broker (unless otherwise restricted by an agreement, law or regulation). We may have an incentive to enter into transactions with an affiliated broker-dealer, in an effort to direct more commission dollars to the affiliate. *Please refer to Item 12 for additional information.*

Affiliated Sub-Advisers or Underlying Fund Managers have broker selection policies in place that require selection of a broker-dealer to be consistent with their duty to seek best execution, and subject to any client and regulatory restrictions. *Please see Item 12 for additional information.*

Affiliated Sub-Advisers or Funds may be prohibited or limited from effecting transactions for you because of rules in the marketplace, foreign laws or our own policies and procedures. In certain cases, we may face further limitations because of aggregation issues due to our relationship with affiliated investment management firms.

Certain of our sales and marketing personnel are registered representatives of our affiliate, MBSC Securities Corporation, a registered adviser under the Advisers Act of 1940 and a registered broker-dealer under the Securities Exchange Act of 1934, as amended, and a member of the Financial Industry Regulatory Authority.

### **Affiliated Underwriters**

Our broker-dealer affiliates occasionally act as underwriter or as a member of the underwriting syndicate for certain new issue securities, which may create an incentive for affiliated Sub-Advisers or Underlying Funds to purchase these new issue securities, in an effort to provide additional fees to the broker-dealer affiliate.

BNY Mellon has established a policy regarding purchases of securities in an offering in which an affiliate acts as an underwriter or as a member of the underwriting syndicate. In compliance with applicable banking, securities and ERISA regulations, affiliated Sub-Advisers or Underlying Funds may purchase on behalf of our clients securities in an offering in which an affiliate is acting as an underwriter or as a member of the underwriting syndicate during the syndication period, so long as requirements of the policy, including written approval and compliance with



certain investment criteria are met. The policy prohibits direct purchases from an affiliate for any fiduciary account under any circumstances. *Please refer to Item 12 for additional information.*

### **Affiliated Banking Institutions**

BNY Mellon engages in trust and investment business through various banking institutions, including the Bank and BNY Mellon, National Association. These affiliated banking institutions may provide certain services to us, such as recordkeeping, accounting, marketing services and referral of clients. We may provide the affiliated banking institutions with sales and marketing materials regarding our investment management services that may be distributed under the name of certain marketing “umbrella designations” such as BNY Mellon, BNY Mellon Wealth Management, BNY Mellon IM, and BNY Mellon EMEA.

We may provide certain investment advice and/or security valuation services to the Bank. We also may provide certain investment advisory and trading services to certain Bank clients and separately managed accounts (including separately managed accounts for which the Bank acts as trustee, custodian or investment manager). Certain of our officers are also officers of the Bank. In their capacity as officers of the Bank, our personnel may provide discretionary investment advisory services to certain clients and also to certain collective investment funds of the Bank and we may receive a fee for such services. In addition, our primarily institutional and employee benefit and foundation clients and our affiliated employee benefit plan may invest in certain collective investment funds of the bank.

Certain clients may have established custodial or sub-custodial arrangements with the Bank and other financial institutions that are affiliated with us. Furthermore, the Bank and other financial institutions that are affiliated with us may provide services (such as trustee, custodial, or administrative services) to issuers of securities. Because of their affiliation with us, the Sub-Advisers or Underlying Fund managers’ ability to purchase securities of such issuers and to take advantage of certain market opportunities may be subject to certain restrictions and in some cases prohibited.

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

We have adopted a Code of Ethics that is made up of two parts:

- 1) BNY Mellon Code of Conduct and Interpretive Guidance (the “BNY Mellon Code”); and
- 2) BNY Mellon Personal Securities Trading Policy (the “PSTP”).

The BNY Mellon Code provides to employees the framework and sets the expectations for business conduct. In addition, it clarifies our responsibilities to clients, suppliers, government officials, competitors and the communities we serve and outlines important legal and ethical issues:

- 1) Conflicts of Interest: gifts, entertainment and other payments; personal conflicts of interest; fiduciary appointments and bequests; outside affiliations, outside employment and certain outside compensation issues; and disclosure of relationships and transactions;
- 2) Proper Use and Care of Information and Proper Recordkeeping: proprietary information and intellectual property; data integrity and corporate information; use of e-mail and internet; accurate accounting and internal controls; use of non-public or “inside” information; talking to the media; and document retention;
- 3) Dealing with Customers, Prospects, Suppliers, and Competitors: business relationships with customers, prospects, suppliers, and competitors; business decisions; exploitation of relationships and use of the company’s name, letterhead or facilities; knowing your customer; and recognizing and reporting illegal, suspicious, or unusual activities;
- 4) Doing Business With the Government: complying with government contracts, government contracting laws and regulations; integrity in the sales and marketing process; truthful, accurate statements and recordkeeping; safeguarding government information and property; cooperating with government audits and investigations; and meeting employment and labor obligations;
- 5) Personal Finances: personal investments; personal brokerage accounts; political campaign contributions; contributions to not-for-profit entities; and individual employees’ regulatory requirements; and
- 6) Compliance with the Law: among other matters illegal or criminal activities; investigations; and protection of company assets.

The PSTP is designed to reinforce our reputation for integrity by avoiding even the appearance of impropriety and to ensure compliance with applicable laws in the conduct of our business. The

PSTP sets forth procedures and limitations that govern the personal securities transactions of our employees in accounts held in their own names as well as accounts in which they have indirect ownership. We, and our related persons and employees, may, under certain circumstances and consistent with the PSTP, purchase or sell for their own accounts securities that we also recommend to clients.

The PSTP imposes different requirements and limitations on employees based on the nature of their business activities for BNY Mellon. Each of our employees is classified as one of the following:

- 1) Investment Employee (“IE”): IEs are employees who, as part of their responsibilities, have access to nonpublic information regarding any advisory client’s purchase or sale of securities or nonpublic information regarding the portfolio holdings of any Proprietary Account, or are involved in making securities recommendations to advisory clients or have access to such recommendations before they are public.
- 2) Access Decision Maker (“ADM”): ADMs (generally portfolio managers and research analysts who make recommendations or decisions regarding the purchase or sale of equity, convertible debt and non-investment grade debt securities for mutual funds and other managed accounts) are subject to the most extensive procedures under the PSTP.
- 3) Insider Risk Employee (“IR”): IRs are employees that in the normal conduct of their job responsibilities are likely to receive or be perceived to be aware of or receive material nonpublic information concerning the company’s clients. Employees in this classification typically include, but are not limited to, Risk and Legal personnel.
- 4) Fund Officer Employee: An employee who is not in the Asset Management or Wealth Management businesses and, in the normal conduct of his/her job responsibilities, serves as an officer of a fund, is not required to preclear trading activity by a fund, and does not attend board meetings.
- 5) Fund Service Employee (“FSE”): FSEs are employees who are not in the Asset Management or Wealth Management businesses and whose normal job responsibilities involve maintaining the books and records of mutual funds and/or managed accounts.
- 6) Service Employee (currently not used): A classification of employees who are not employees in the Asset Management or Wealth Management businesses, but in the normal conduct of their job responsibilities have access to post-trade information, including security transactions and portfolio holdings information. Employees in this classification may include, but are not limited to, Compliance, Audit, and Technology personnel.

- 7) Dreyfus/FINRA Group Employee: An employee who is subject to regulation resulting from his/her registration with FINRA.
- 8) Pre-Release Earnings Group (“PREG”): The Pre-Release Earnings Group consists of all members of the Company’s Operating Committee and any individual determined by the Company’s Corporate Finance Department to be a member of the group.
- 9) Non-Classified or Other Employee (“OE”): Our employees are considered OEs if they are not classified as any of the classifications listed above.

PSTP Overview:

- 1) IEs, ADMs, IRs and PREG (BNYM Stock only) are subject to preclearance and personal securities reporting requirements, with respect to discretionary accounts in which they have direct or indirect ownership;
- 2) Transaction reporting is not required for non-discretionary accounts, transactions in exempt securities or certain other transactions that are not deemed to present any potential conflicts of interest;
- 3) Preclearance is not required for transactions involving certain exempt securities (such as open-end investment company securities that are not BNY Mellon Proprietary Funds or money market funds and short-term instruments, non-financial commodities; transactions in non-discretionary accounts (approved accounts over which the employee has no direct or indirect influence or control over the investment decision-making process); transactions done pursuant to automatic investment plans; and certain other transactions detailed in the PSTP which are either involuntary or deemed not to present any potential conflict of interest;
- 4) We have a “Preclearance Compliance Officer” who maintains a “restricted list” of companies whose securities are subject to trading restrictions. This list is used by the Preclearance Compliance Officer to determine whether or not to grant trading authorization.
- 5) The acquisition of any securities in a private placement requires prior written approvals;
- 6) With respect to transactions involving BNY Mellon securities, all employees are also prohibited from engaging in short sales, purchases on margin, option transactions (other than employee option plans), and short-term trading (*i.e.*, purchasing and selling, or selling and purchasing BNY Mellon securities within any 60 calendar day period);
- 7) With respect to non-BNY Mellon securities purchasing and selling, or selling and purchasing the same or equivalent security within 60 calendar days is discouraged, and any profits must be disgorged; and

- 8) No covered employee should knowingly participate in or facilitate late trading, market timing or any other activity with respect to any fund in violation of applicable law or the provisions of such fund's disclosure documents.
- 9) A copy of our Code of Ethics will be provided upon request.

## **Interest in Client Transactions**

Note that while each of the following types of transactions present conflicts of interest for us, as described below, we manage our accounts consistent with applicable law, and we follow procedures that are reasonably designed to treat our clients fairly and to prevent any client or group of clients from being systematically favored or disadvantaged.

### Principal Transactions

"Principal transactions" generally are defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys any security from or sells any security to any client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated pooled investment vehicle and another client account.

We do not engage in principal transactions; however, affiliated Sub-Advisers or Underlying Fund Manager may engage in principal transactions subject to the consent requirements under the Advisers Act and as permitted under applicable law. When they engage in a principal transaction, they may have an incentive to favor their own interests over the interests of our client.

It is our policy that neither we nor any of our officers or directors shall, as principal, buy securities for itself from, or sell securities it owns to, any client, except as permitted by law. However, we are part of a large diversified financial organization, which includes banks and broker-dealers. As a result, it is possible that a related person other than our officers and directors, may, as principal, purchase securities from, or sell securities to, our clients.

### Cross Trades

"Cross Trades" are generally defined as transactions in which a person acts as an investment adviser in relation to a transaction in which such adviser, or any person controlling, controlled by, or under common control with such adviser, acts as broker for both such advisory client and for another person on the other side of the transaction. We do not engage in cross transactions; however, affiliated Sub-Advisers or Underlying Fund Managers may do so. Cross trades present conflicts of interest, as there may be an incentive for us to favor one client to the cross trade over the other. For example, if one client account pays performance fees to the Sub-Adviser or Underlying Fund Manager, while the other client account pays only asset-based fees, they would have a financial incentive to favor the performance fee paying account in the cross-trade. However, note that cross trades are subject to Advisers Act restrictions, and will only be

undertaken by affiliated Sub-Advisers or Underlying Fund Managers as permitted under applicable law. We do not receive fees or commissions where affiliates make these trades.

### Transactions in Same Securities

Our affiliates or our personnel may invest, directly or indirectly, in the same securities that we, our Sub-Advisers or our affiliates recommend to clients. When we or an affiliate currently holds for our own benefit the same securities as a client, we could be viewed as having a potential conflict of interest. For example, we or our affiliate could be seen as harming the performance of the client's account for our own benefit if we short-sell the securities in our own account while holding the same securities long in the client account, causing the market value of the securities to move lower.

### **Agency Transactions Involving Affiliated Brokers**

Neither we nor any of our officers or directors, acting as broker or agent, effect securities transactions for compensation for any client. We are part of a large diversified financial organization that includes broker-dealers. As a result, it is possible that a related person, other than our officers and directors, may, as agent, effect securities transactions for our clients for compensation. Please also see Item 10 and Item 12 for additional information relating to affiliate arrangements and with regard to purchases of securities in an offering where an affiliate acts as underwriter or a member of the underwriting. Please also see Schedule D, Section 7A of our Form ADV Part 1A for a list of broker-dealers which are our affiliates.

## **Item 12. Brokerage Practices**

### **Broker Selection**

ISSG utilizes "Manager-of-Managers" investment programs and as such does not typically engage with brokers or have broker selection practices. *Please refer to Item 10 for additional information concerning the Volcker Rule and its possible implications concerning the broker-dealer selection practices of our affiliated Sub-Advisers or Underlying Fund managers.*

### **Conflicts of Interest Relating to Brokerage**

The portfolio turnover rates for the different Sub-Advisers or Underlying Funds selected by ISSG may vary significantly. In some cases, the investment program of the Sub-Advisers or Underlying Funds may emphasize short-term trading as well as investment. Thus the portfolio turnover for certain of ISSG separate accounts' or pooled investment vehicle's investments may be substantially greater than the turnover rates of other types of investment vehicles.

Each of the Sub-Advisers and Underlying Funds allocate brokerage transactions in securities for the respective accounts which they manage. Various brokers may be used to execute, settle and clear such transactions. In selecting brokers, a Sub-Adviser or Underlying Fund Manager may consider various factors, such as commission rate, execution capability, financial responsibility, responsiveness and the value of research and related products furnished. If the Sub-Adviser or Underlying Fund Manager determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and research services provided by the broker, the Sub-Adviser or Underlying Fund may pay a commission in a greater amount than that another broker might charge. Brokerage and research services include advice concerning the value or advisability of investing in or selling securities, furnishing analyses or reports concerning companies, industries, environmental and political factors or the effecting of trades and performing of functions incidental thereto. Such services are termed "soft dollar items."

Section 28(e) of the 1934 Act provides a safe harbor to an investment adviser that insulates it from state and federal breach of fiduciary duty claims (including ERISA claims) solely because the investment manager incurs brokerage commissions greater than the lowest commission available for executing a trade in return for research services and products. Soft dollar items received by the Sub-Advisers or Underlying Fund Managers are within the safe harbor provisions of Section 28(e) or are otherwise subject to their policies and procedures intended to mitigate potential conflicts of interest in this regard.

Certain of the services and products received by the Sub-Advisers or Underlying Fund Managers may benefit 1) certain other accounts also under the management of the Sub-Adviser or Underlying Fund Manager; or 2) accounts of affiliates managed by employees of the Sub-Adviser or Underlying Fund Manager who are also employees of such affiliates.

Please review the Sub-Adviser's Form ADV and/or the applicable Fund's offering materials for more specific information regarding brokerage practices.

**Trade Allocation**

ISSG generally does not trade individual securities. Rather, we allocate and reallocate capital to Sub-Advisers or Underlying Funds who affect trades according to their strategy. It is ISSG's policy to allocate investments with Sub-Advisers or Underlying Funds among clients in a fair and equitable manner.



### **Item 13. Review of Accounts**

ISSG separate accounts and pooled investment vehicles are subject to oversight on an ongoing basis through daily interactions; regular staff meetings, manager and market reviews; regular compliance, risk and due diligence meetings; and monthly Capital Market Committee and Investment Committee meetings. Concerns are resolved or escalated accordingly, and material events are reported promptly to clients. As part of its compliance regime, BNY Mellon also requires a monthly reporting of significant events or violations from all subsidiaries.

At least monthly, and more often as required by special circumstances (such as a relevant development in market conditions affecting one or more of the Sub-Advisers or Underlying Funds), the Investment Committee reviews the performance of each ISSG separate account or pooled investment vehicle. Each separate account or pooled investment vehicle's portfolio manager is responsible for reviewing and overseeing the accounts on a day to day basis.

Each of the investors in an ISSG separate account or pooled investment vehicle, at a minimum, receives quarterly reports showing performance results for each vehicle or customized separate account in which it invests and certain significant sources of performance as well as statements from the account's custodian.

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

### **Unaffiliated Solicitors and Placement Agents**

We may hire third parties to solicit new investment advisory clients. The commissions or fees, if any, payable to such solicitors (also referred to as placement agents) with respect to solicitation of investments with us will be paid solely by us. Clients will not pay fees for these solicitations. These solicitors have an incentive for the client to hire us because we will pay the solicitor for the referral. The prospect of receiving solicitation/placement fees may provide such placement agents and/or their salespersons with an incentive to favor these sales over the sale of other investments with respect to which the placement agent does not receive such compensation, or receives lower levels of compensation. In addition, to the extent permitted by law, certain placement agents and their respective affiliates may provide brokerage and certain other financial and securities services to us or our affiliates. Such services, if any, will be provided at competitive rates.

### **Affiliated Solicitors and Placement Agents**

We may pay referral fees to our affiliates (and/or their employees) for referrals that result in additional investment management business. *Please see the discussion of the BNY Mellon Compensation Plan in Item 10, above.*

Our ultimate parent company, BNY Mellon, has organized its lines of business into two groups: Investment Management and Investment Services (collectively “Groups”). As a member of BNY Mellon

Asset Management, we are part of the Investment Management Group. A sales force has been created to focus on developing new customer relationships and developing and coordinating large complex existing customer relationships within those Groups.

In certain circumstances, BNY Mellon Investment Management sales representatives are paid fees for sales. The fees may be based on revenues and may be a one-time payment or paid out over a number of years. In addition, our sales representatives and sales representatives of our affiliates within the Investment Management Group are paid for intra-Group referrals to Group counterparts. Those fees are based on the first year’s revenue for the Group counterpart.

We may pay a fee to an affiliate (or directly to employees of the affiliate) that has a pre-existing relationship with a new client in the Investment Services Group. The fees may be based on revenues and may provide for a one-time payment or payments over a number of years.

We and our affiliates also participate in the BNY Mellon Incentive Compensation Plan, which presents certain conflicts of interest, *all as described in Item 10, above.*

## **Item 15. Custody**

Rule 206(4)-2 under the Advisers Act (the “Custody Rule”) defines “custody” to include a situation in which an adviser or a related person holds, directly or indirectly, client funds or securities or has any authority to obtain possession of them, in connection with advisory services provided by the adviser.

For purposes of the Custody Rule, we are deemed to have “custody” of certain client assets because client funds or securities are held by the Bank of New York Mellon (a related person of ISSG).

Generally, an adviser that is deemed to have custody of a client’s funds or securities, among other things, is required to arrange for an annual independent verification of such funds or securities in accordance with the Custody Rule (the “Surprise Exam Requirement”). However, the Custody Rule contains the following exceptions from the Surprise Exam Requirement:

1. **Ability to Deduct Fees:** advisers deemed to have custody of client assets solely because of their ability to deduct fees from client accounts are not subject to the Surprise Exam Requirement.
2. **Related Person & Operational Independence:** advisers deemed to have custody of client assets solely because a related person holds client assets will not be subject to the Surprise Exam Requirement, provided the adviser and the related person are “operationally independent.” ISSG relies on this exception and therefore has not arranged for an annual independent verification. ISSG has determined that our operations are independent from those of the custodian bank.

**Separate Accounts:** You will receive statements and other documents from your administrator or qualified custodian depending on your contract with us. Please review these statements carefully. You are strongly urged to compare the account statements you receive from us with those that you receive from your qualified custodian.

### **Physical Custody**

We do not maintain physical possession of client assets held in separately managed accounts. Typically each of our clients independently selects a custodian with whom it contracts directly. Our authority to instruct the client’s custodian is limited to that granted by the client to us in the investment management agreement.

## **Item 16. Investment Discretion**

We will typically accept discretionary investment authority over client assets, and clients must grant this discretionary authority to us in writing via a contract, power of attorney, and/or through an appointment to become the investment adviser of a separate account. In all cases, however, such discretion will be exercised in a manner consistent with the stated investment objectives and guidelines for the particular client account.

Clients must deliver their investment guidelines and restrictions to us in writing, and we will adhere to such guidelines and restrictions when making investment decisions, provided that such guidelines and restrictions have been agreed to by us in advance.

## **Item 17. Voting Client Securities**

The Securities and Exchange Commission (the “SEC”) adopted Rule 206(4)-6, which requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies effective August 6, 2003. ISSG’s general policy is that we do not vote proxies on behalf of our Manager-of-Managers Programs. Rather, proxies will be voted by the Sub-Advisers or Underlying Fund Managers. Please review the applicable Sub-Advisers’ Form ADV and/or the applicable Fund’s offering materials for further information regarding their voting of client securities.

## **Item 18. Financial Information**

In certain circumstances, registered investment advisers are required to provide you with financial information or disclosures about their financial condition in this Item. ISSG has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has never been the subject of a bankruptcy proceeding.