

Disclosure Brochure

as of July 1, 2019

MetLife Investment Management, LLC

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This brochure provides information about the qualifications and business practices of MetLife Investment Management, LLC (the “Firm”). If you have any questions about the contents of this brochure, please contact us at 973-355-4048. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

The Firm is registered with the SEC as an investment adviser. Registration with the SEC as an investment adviser does not imply any level of skill or training.

Additional information about the Firm is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2: Summary of Material Changes

MetLife Investment Management, LLC (the “Firm”) filed its last annual amendment on March 31, 2019. The following material changes occurred since the Firm’s last annual amendment filing.

- Effective July 1, 2019, the Firm’s affiliate, Logan Circle Partners, L.P. (“Logan Circle”), a registered investment adviser, has merged with and into the Firm.
- Effective July 1, 2019, the Firm has changed its name from MetLife Investment Advisors, LLC to MetLife Investment Management, LLC.
- In its last annual amendment to its Form ADV Part 2 filed on March 31, 2019, the Firm filed a single Disclosure Brochure pertaining to its overall advisory business. With this amendment, the Firm has prepared separate Disclosure Brochures for each of its investment management business units. As of the date hereof, in addition to this Disclosure Brochure, the Firm has filed separate disclosure brochures for each of the following investment management business units: MIM Real Estate; MIM Private Fixed Income; MIM Public Fixed Income; and MIM Index Strategies. This Disclosure Brochure has been created to separately discuss all other units of the Firm (including capital markets and alternative investments).

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Item 4: Advisory Business

MetLife Investment Management, LLC (the “Firm”) was founded in 2006 and is a subsidiary of MetLife, Inc. (together with its subsidiaries, “MetLife”), a publicly held company. The Firm is part of MetLife Investment Management (“MIM”), MetLife’s institutional investment management business that has more than 900 professionals located around the globe.

The Firm offers investment management services in the following business units: MIM Real Estate; MIM Private Fixed Income; MIM Public Fixed Income; MIM Index Strategies; and other units (including capital markets and alternative investments). Such business units are not separate legal entities or formal sub-divisions of the Firm, but are utilized for purposes of the Firm’s Disclosure Brochures in order to more accurately describe the Firm’s business activities in specific asset classes to clients and prospective clients of the Firm. Each of MIM Real Estate, MIM Private Fixed Income, MIM Public Fixed Income and MIM Index Strategies is described in greater detail in its own disclosure brochure. This Disclosure Brochure relates solely to the other units of the Firm (including capital markets and alternative investments).

As of December 31, 2018, the Firm had \$461,019,222,537 in assets under management, of which \$455,947,040,862 was managed on a discretionary basis and \$5,072,181,675 was managed on a non-discretionary basis.

As noted above, the Firm’s affiliate, Logan Circle, merged with and into the Firm effective July 1, 2019. As of December 31, 2018, Logan Circle had \$38,637,139,758 in assets under management, all of which was managed on a discretionary basis and none of which was managed on a non-discretionary basis. Had the Firm merged with Logan Circle prior to December 31, 2018, the total assets under management of both firms combined as of December 31, 2018 would have been \$499,656,362,295, of which \$494,584,180,620 would have been managed on a discretionary basis and \$5,072,181,675 would have been managed on a non-discretionary basis.

Item 5: Fees and Compensation

The Firm is typically compensated for its advisory services based upon a percentage of assets under management. The Firm tailors its advisory services based on the needs of the client. As such, all advisory fees are agreed with the client depending on the scope of services the Firm is providing (other than for any pooled investment vehicles, where the fee is set forth in the offering documents, as they may be amended from time to time). The amount and terms of the fee is either set forth in the fund offering documents and constituent fund documents (for any pooled investment vehicles) or in the advisory agreement between the Firm and the client (for separately managed accounts). For managed accounts, the Firm may also receive other fees in connection with the mandate as may be agreed to between the client and the Firm.

Some clients pay a performance-based fee, the terms of which are agreed upon with the Firm. All performance-based fee arrangements are structured to comply with Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). For any pooled investment vehicles sponsored by the Firm, the applicable fees and expenses are set forth in the applicable offering documents.

The Firm generally charges its fee in arrears on a quarterly basis. While the Firm 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.

The Firm’s fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses, which shall be incurred by the client. Clients will incur charges imposed by custodians, brokers and other third parties, including, but not limited to, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to the Firm’s fees, and the Firm does not receive any portion of commissions, fees and costs charged by such third parties.

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

As disclosed in response to Item 5, the Firm may provide services for performance-based compensation. This gives the Firm an incentive to take additional risks in these accounts or allocate to them more favorable investment opportunities. The Firm 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. The Firm believes this mitigates the conflicts that typically arise with performance-based compensation.

Item 7: Types of Clients

The Firm provides its advisory services to institutional clients, which may include corporate entities, pension and profit sharing plans (including government, Employee Retirement Income Security Act of 1974, as from time to time amended (“ERISA”), and Taft-Hartley plans), insurance companies, charitable institutions, foundations, and endowments, sovereign funds, limited partnerships, and MetLife affiliated accounts, which includes MetLife’s domestic insurance company subsidiaries (the “MetLife Accounts”), registered investment companies, pooled investment vehicles, and public and government entities. With respect to any pooled investment vehicle, the Firm provides investment advice and other services directly to such vehicle and not individually to the investors in such vehicle.

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

The Firm’s product suite includes offerings in public and private fixed income, real estate and index strategies. Information about public and private fixed income, real estate and index strategies is disclosed in separate brochures. The Firm’s other investment management services are disclosed below.

Insurance Asset Management

Insurance Asset Management Generally: The Firm leverages its global scale and footprint, deep insurance asset management expertise, rigorous risk management and strong credit culture to create value for its insurance clients and offers such clients the following investment mandates:

- Single investment mandates
- Multiple investment mandates
- Outsourced CIO mandates
- Insurance core mandate solutions leveraging the Firm’s global asset origination and portfolio management platforms

The Firm’s insurance asset management services focus on portfolio analytics that may include asset allocation advice, risk analysis, stress testing, and hedge modeling. This is customized to the needs of the individual client. The Firm leverages its in-house resources to review client data and provide custom analyses and solutions, which is used to shape the advice offered to the client.

Additionally, the Firm produces white papers and other forms of custom client research and education, tailored to the needs of the client. This may include asset class diversification, information about hedging strategies, use of derivatives, or other topics as the client may request.

The Firm is also able to provide portfolio advisory services, which includes portfolio design and ongoing strategic asset allocation across multiple strategies. The investment management activities would be conducted by the asset class specialists within the Firm, with oversight from its insurance asset managers providing ongoing recommendations for how to strategically rebalance the portfolio.

Alternative Investments: The Firm offers managed account alternative investments strategies tailored to each client’s individual goals, objectives, target markets, and guidelines. The Firm manages alternative investments strategies across 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 the Firm directly from the Fund’s general partner or in some cases through placement agents representing the Funds.

The Firm 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. The Firm’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, the Firm conducts an in-depth analysis. This analysis would entail due diligence sessions

and are held with the general partner of the Fund to understand Fund management's strategy and competence. The Firm 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 the Fund manager's track record, references, Fund and strategy description, portfolio company review and overall manager evaluation

To monitor Fund investments, the Firm 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, the Firm will explore further to determine if the situation requires increased scrutiny or perhaps even termination. During its periodic reviews, the Firm 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.

In addition to the Funds, the Firm 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. The Firm is also the investment management to a mezzanine debt fund, which is currently not open to new investors.

Spread Margin Strategies

The Firm provides clients securities lending services which utilize existing client assets to generate incremental investment income. In securities lending, securities owned by Firm clients (the "Lenders") are loaned to highly rated counterparties (the "Borrowers") in exchange for collateral, usually in the form of cash. The securities loaned to Borrowers create an attractive cost-of-funds rate on the use of cash collateral, which is reinvested by the Firm at a higher rate of return. 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. The Firm additionally manages the issuance of investment products, such as funding agreement backed medium-term notes and commercial paper, as well as arranging advances through the Federal Home Loan Bank (FHLB) system, the proceeds of which are reinvested by the Firm in higher yielding securities.

Repurchase Transactions

The Firm also offers clients short -term cash investments through third-party custodian administered repurchase programs for the purpose of enhancing the total return on their investment portfolio. The Firm will purchase certain fixed maturity securities, on clients' behalf (each, a "Purchaser"), "from unaffiliated financial institutions (each, a "Seller"), which are subject to a contractual obligation to resell such securities. In exchange, Purchaser provides cash to the Seller which must be returned to Purchaser when the securities are resold. The Seller additionally pays Purchaser a financing fee on the transaction for the use of the cash provided.

Derivatives Advisory

In addition to the Firm's investment advisory services, the Firm provides derivatives advisory services to certain of its affiliates (including affiliated insurance companies and separate accounts) and to unaffiliated clients. The Firm provides advice and hedging strategies for variable annuity products that offer guaranteed benefits, managed risk funds, asset and liability portfolios, specific assets and replication/creation of synthetic assets. The Firm utilizes a wide range of Interest Rate, Equity, Foreign Exchange and Credit Derivatives products to assist clients. These include various derivatives instruments, such as; treasury and currency options, futures and forwards, over-the-counter ("OTC") cleared interest rate and credit default swaps, total return and equity swaps and options on swaps. The Firm is also able to provide operational support in connection with its derivatives advisory services. This includes trade life cycle support, valuation, risk and analytic reporting, collateral management, hedge effectiveness testing (for insurance company clients), accounting services and trade and collateral settlement.

If requested, the Firm can negotiate ISDA Master Agreements, customer agreements with futures commission merchants, clearing agreements) (collectively, "Master Agreements"). These agreements may be executed by the

Firm's clients or, with client authorization, by the Firm on a client's behalf. The Firm also may adhere to ISDA protocols on behalf of its clients, which effectively amend Master Agreements that are already in place.

Management of CDO

The Firm is the investment manager to one collateralized debt obligation ("CDO"). This CDO is closed to new investments and is in run-down mode.

Asset Management for ERISA Plans

The Firm provides investment advice to certain retirement plans subject to ERISA as well as their plan asset committees and sponsors. The terms of the Firm's investment management services, including the types of services that the Firm provides, is set forth in the agreement between the Firm and its clients.

Risk of Loss for All Investments

Investing in securities and other financial instruments involves risk of loss that investors should be prepared to bear. Investment strategies may not achieve their performance objectives and may result in losses. The Firm has summarized below certain important risks for clients and prospective clients to consider with respect to the investment strategies described in this brochure.

Information about the risks related to the other investment management units of the Firm is provided in separate disclosure brochures. For purposes of the risk factors included herein, the term "Client," as context requires, should be read to include an investor in a pooled investment vehicle managed by the Firm. References to actions taken or investments made by a "Client" should be understood to mean, as context requires, that such actions may be taken or investments made by the Firm or its affiliates acting on behalf of Client.

Risks Relating to Investing Generally

Loss of Invested Capital. Investments in securities are subject to risk of loss. The value of the assets will fluctuate based upon a multitude of factors, including (i) the financial condition, results of operations and prospects of the issuers of the underlying securities acquired, (ii) governmental intervention, (iii) market conditions and (iv) local, regional, national and global economic conditions. Therefore, Client may lose all or a portion of the assets if the investment strategy pursued on behalf of Client is not successful.

Cash Holdings Risk. Client may invest significant amounts in cash and cash equivalents for indefinite periods of time when the Firm determines that the prevailing market environment warrants doing so. By holding large cash positions, Client may lose opportunities to participate in market appreciation, which may result in lower returns than if Client had remained fully invested in the market. Furthermore, cash and cash equivalents may generate minimal or no income and could negatively impact Client's return on the assets and Client's ability to achieve its investment objective.

Illiquidity. Client's investments require a long-term commitment, with no certainty of return. There may be little or no near-term cash flow available. Many of Client's investments will be highly illiquid. Consequently, dispositions of such investments may require a lengthy time period, so there can be no assurance that Client will realize value on its investments in a timely manner.

Restricted Securities. Client may invest in securities that are not registered under the 1933 Act, including securities representing interests in private equity and hedge funds ("restricted securities"). Restricted securities may be sold in private placement transactions between issuers and their purchasers and may be neither listed on an exchange nor traded in other established markets. In many cases, privately placed securities may not be freely transferable under the laws of the applicable jurisdiction or due to contractual restrictions on resale. As a result of the absence of a public trading market, privately placed securities are less liquid and more difficult to value than publicly traded securities. To the extent that privately placed securities may be resold in privately negotiated transactions, the prices realized from the sales, due to illiquidity, could be less than those originally paid by Client or less than their fair market value. In addition, issuers whose securities are not publicly traded may not be subject to the disclosure and other investor protection requirements that may be applicable if their securities were publicly traded. If any privately placed

securities held as assets are required to be registered under the securities laws of one or more jurisdictions before being resold, Client may be required to bear the expenses of registration.

Investment Due Diligence and Investment Research. When conducting due diligence and investment research, the Firm may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues, often on an expedited basis, to take advantage of an investment opportunity. Detailed information necessary for a full evaluation may not be available, and the financial information available to the Firm may not be accurate or provided based upon accepted accounting methods. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence and investment research process in varying degrees depending on the type of investment. There can be no assurance that these consultants will evaluate such investments accurately.

Portfolio Concentration. There may be limited diversification or concentration constraints with respect to the assets. If Client investments become relatively concentrated in any one issuer, industry, region, country or type of investment, the value of the assets may be subject to greater volatility and may be more susceptible to any single economic, political, or regulatory occurrence or the fortunes of a single company or industry than would be the case if Client's investments were more diversified.

Economic Conditions. Negative economic trends nationally, in specific geographic areas of the United States and/or outside the United States, could result in an increase in debt or loan defaults and delinquencies. Inability of issuers to obtain refinancing (particularly as high levels of required refinancings approach) may result in an economic decline that could delay or derail an economic recovery and cause deterioration in the performance of debt investments generally.

Additionally, the following factors may disrupt financial markets and have a negative impact on the assets:

- The bankruptcy or insolvency of one or more major financial institutions that results in the disruption of payments with respect to the assets or triggers additional crises in the global credit markets and overall economy;
- Continued deterioration of the sovereign debt of certain countries, together with the risk of contagion to other, more stable, countries;
- Rating agency downgrades (or otherwise negative changes in their ratings outlook) on the sovereign long-term debt ratings of certain countries;
- Reduced liquidity in the fixed income markets as a result of proposed or implemented changes in the laws and/or regulations applicable to financial intermediaries;
- Issues affecting the economies of the United States and/or non-U.S. economies; and
- The impact of (i) military operations, (ii) the possibility or actual occurrence of terrorist attacks domestically or abroad and/or (iii) political instability in some parts of the world which could have a material adverse effect on general economic conditions, world financial markets, particular business segments, world commodity prices, consumer confidence and/or market liquidity.

Market Disruptions; Governmental Intervention. The assets may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. Market disruptions may from time to time cause dramatic losses for the assets, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

The downturn in the credit markets and the global economic crisis experienced in 2007-2009 led to extensive and unprecedented governmental intervention. These interventions typically were unclear in scope and application, resulting in confusion and uncertainty which in itself was materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies. In response to the financial crises of 2007-2009, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") was enacted in July 2010. Dodd-Frank established a comprehensive framework for the regulation of markets, market participants and financial instruments

that were previously unregulated and substantially alters the regulation of many other markets, market participants and financial instruments. It is difficult to predict the ultimate impact of Dodd-Frank on the assets, the Firm and the markets in which they trade and invest, including whether Dodd-Frank will impact market liquidity in a manner adverse to Client or the assets. Further additional legislative or regulatory action could be taken, and the effect of such actions could have a negative impact on the assets.

Risks Relating to LIBOR. Regulators, law enforcement agencies, or the ICE Benchmark Association (the current administrator of LIBOR) may take actions resulting in changes to the way LIBOR is determined, the discontinuance of reliance on LIBOR as a benchmark rate or the establishment of alternative reference rates. The U.K. Financial Conduct Authority has announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. The Federal Reserve Bank of New York has begun publishing a Secured Overnight Financing Rate (“SOFR”), which is intended to replace U.S. dollar LIBOR, and central banks in several other jurisdictions have also announced plans for alternative reference rates for other currencies. At this time, the Firm cannot predict how markets will respond to these new rates, and cannot predict the effect of any changes to or discontinuation of LIBOR on new or existing financial instruments to which Client(s) have exposure. Any changes to or discontinuation of LIBOR may have an adverse effect on interest rates on certain derivatives and floating-rate securities held by Clients or other assets or liabilities managed for Clients whose value is tied to LIBOR or to a LIBOR alternative. Any uncertainty regarding the continued use and reliability of LIBOR could adversely affect the value of such instruments. Any change to or discontinuation of similar benchmark rates besides LIBOR could have similar effects.

Litigation Risk. Client’s investment activities may subject Client to the risks of becoming involved in litigation. The expense of defending against claims against Client by third parties and paying any amounts pursuant to settlements or judgments would be borne by Client. Client may not be able to defend or prosecute legal proceedings that may be brought against it (or lenders as a group) or that Client (or lenders as a group) might otherwise bring to protect its (or their) interests.

Operational and Information Security Risk from Cyberattacks and other Computer-Related Attacks. The Firm relies on the effective operation of its computer systems and, in certain instances, the computer systems of its service providers, for a variety of functions, including, transactions, providing information to Client, and maintaining financial records. The Firm also retains confidential and proprietary information on its computer systems and the computer systems of its service providers, and relies on sophisticated technologies to maintain the security of that information. The Firm’s computer systems and the computer systems of its service providers are subject to computer viruses or other malicious codes, unauthorized or fraudulent access, social engineering, phishing, human error, cyberattacks or other computer-related penetrations, and such threats have increased over recent periods. The administrative and technical controls and other preventive actions the Firm takes to reduce the risk of cyber-incidents and protect its information technology may be insufficient to prevent physical and electronic break-ins, cyber-attacks, compromised credentials, fraud, other security breaches or other unauthorized access to its computer systems or the computer systems of its service providers. In some cases, such cyber-incidents may not be immediately detected. Such incidents may impede or interrupt the Firm’s business operations and could adversely affect the Firm’s operations and in turn could adversely affect Client or the assets.

In the event of a disaster such as a natural catastrophe, epidemic, industrial accident, blackout, computer virus, terrorist attack, cyberattack or war, unanticipated problems with the Firm’s disaster recovery systems could have a material adverse impact on the Firm’s ability to conduct business, particularly if those problems affect the computer-based data processing, transmission, storage and retrieval systems and destroy valuable data of the Firm. In addition, if a significant number of the Firm’s managers, or associates generally, are unavailable following a disaster, its ability to effectively conduct business could be severely compromised. These interruptions also may interfere with the ability of the Firm to provide services to Client and the ability of the Firm’s associates to perform their job responsibilities.

The failure of the computer systems of the Firm or its service providers, or the disaster recovery plans of the Firm or its service providers for any reason, could cause significant interruptions in the Firm’s operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to Client or the assets, and could potentially result in financial losses.

Risks Relating to Debt Investing

Debt Investments Generally. Investments in debt securities are subject to all of the potential conflicts of interest and investment risks set forth above. In addition, investments in debt securities are subject to the risk of an issuer's ability to meet principal and interest payments on the obligation (credit risk), price volatility due to interest rate sensitivity, market perception of the creditworthiness of the issuer, general market liquidity (market risk) and potential inability to access additional financing due, e.g., to high leverage (leverage risk). The price of a debt instrument generally moves inversely with interest rates, such that a rise in interest rates typically causes a fall in value, while a fall in interest rates typically causes a rise in value. Bonds generally involve less market risk than stocks; however, the risk of bonds can vary significantly depending upon factors such as the credit quality of the issuer and the maturity of the instrument. For example, the issuer of a security or the counterparty to a contract may default or otherwise become unable to honor a financial obligation, resulting in losses.

Privately Placed Debt Investments. Client may trade in privately placed debt investments issued by either public or private companies (i.e., companies that have not issued publicly traded securities). Private debt investments may be in the form of loans or securities, and may be issued in financings and recapitalizations. They also may include high yield debt securities (discussed below), which are typically issued in traditional private placements or in connection with acquisitions and other business combinations. Client may trade in debt securities that rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets or unsecured. Client also may invest in debt securities that are not protected by financial covenants or limitations on additional indebtedness. Privately placed debt issued by public companies is subject to fewer reporting obligations than publicly traded securities issued by those companies. Further, Client may invest in debt securities issued by companies with little or no operating history. Detailed information about privately placed debt necessary for a full evaluation of the securities may be less available to the Firm than would be available in connection with publicly offered debt securities. As noted, Client also may invest in debt securities issued by private companies. Investment in debt issued by private companies is subject to all of the risks of investment in privately placed debt issued by public companies plus additional risks, including (i) greater illiquidity of the Client investment, (ii) inability to sell due to a lack of market, (iii) absence of market efficiency or testing to determine the correct price, (iv) limited or no information available to debt holders regarding, among other things, a private company's business prospects and results of operations and (v) less oversight from independent directors, regulatory agencies and others.

Default Risk. A defaulted or otherwise distressed Client investment may become subject to workout negotiations or restructuring, which may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal and a substantial change in the terms, conditions and covenants with respect to the investment. Such negotiations or restructuring may be extensive and protracted over time and may result in substantial uncertainty with respect to the ultimate recovery on such Client investment. The ability of Client to influence the affairs of an issuer may be substantially less than that of other creditors in the capital structure, depending on the nature of Client's investment (for example, the seniority of its position in the capital structure and the size of Client's position relative to those of other investors). Accordingly, Client may not be able to take the steps necessary to protect its investments in the most opportunistic manner. Client may incur additional expenses if it is required to seek recovery upon default or to negotiate new terms with a defaulting issuer.

Insolvency and Bankruptcy. Various laws enacted for the protection of creditors may apply to Client investments. In a lawsuit brought by an unpaid creditor or representative of creditors of an issuer of a Client investment, such as a trustee in bankruptcy, a court may find that the issuer did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting such Client investment. If, after giving effect to such indebtedness, the issuer (i) is insolvent, (ii) is engaged in a business for which the remaining assets of such issuer constituted unreasonably small capital or (iii) intends to incur, or believes that it will incur, debts beyond its ability to pay such debts as they mature, such court could determine (i) to invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, (ii) to subordinate such indebtedness to existing or future creditors of the issuer or (iii) to recover amounts previously paid by the issuer in satisfaction of such indebtedness. The issuer of a Client investment may enter bankruptcy, receivership, insolvency or similar proceedings (collectively, "bankruptcy"). Bankruptcy may result in, among other things, a substantial reduction in the interest rate and a substantial write down of the principal of the related Client investments. There are a number of risks inherent in the bankruptcy process, including:

- Rulings in a bankruptcy case are the product of adversarial proceedings determined by a court with equitable powers and are beyond the control of specific creditors.

- A bankruptcy filing may adversely and permanently affect the issuer making such filing. The issuer may lose its market position, key employees, relationships with important suppliers, access to the capital markets or other sources of liquidity and otherwise become incapable of restoring itself as a viable entity. If a Chapter 11 reorganization is converted to or becomes a liquidation, the liquidation value of the issuer may not equal the liquidation value that was believed to exist at the time of purchase of the Client investment.
- A creditor's return on investment may be adversely affected by delays while a plan of reorganization is being negotiated, approved by parties in interest and confirmed by the bankruptcy court until it ultimately becomes effective. In addition, the administrative costs of the debtor and official committees in connection with the case are frequently high and will be paid out of the debtor's estate prior to any return to general unsecured creditors. Certain claims that have priority by law (for example, claims for taxes) also may be significant.
- If Client purchases an investment for less than its par amount, recovery of the discount (the difference between the purchase price and the par amount) may be disallowed or limited in whole or in part in a bankruptcy.
- Creditors' claims against bankrupt or insolvent entities may be subject to equitable subordination or re-characterization as equity (particularly where the creditor is an insider or otherwise controls the debtor), and transfers made to creditors may be subject to avoidance and disgorgement as preferences or fraudulent conveyances.

Lender Liability Risk. U.S. courts have upheld the right of borrowers to sue lenders or bondholders based on a variety of evolving legal theories (sometimes referred to as "**lender liability**"). Generally, lender liability is founded on the premise that an institutional lender or bondholder has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or issuer or has assumed a degree of control over the borrower or issuer resulting in the creation of a fiduciary duty owed to the borrower or issuer or its other creditors or stockholders. The assets also may be subject to claims from creditors of an obligor that debt obligations issued by such obligor should be equitably subordinated. For example, because the Firm or its affiliates may hold equity or other interests in an issuer, the assets could be exposed to claims for equitable subordination or lender liability or both based on such equity or other holdings.

Call and Prepayment Risk. The ability of issuers to prepay assets will vary. The assets will experience a loss if a Client investment was purchased at a price greater than par and is prepaid at par or at a price lower than the purchase price. The rate of prepayments, amortization, delinquencies and defaults may be influenced by various factors including:

- Changes in issuer performance and requirements for capital;
- Interest rate movements;
- Unavailability of credit or a decline in credit underwriting standards; and
- The overall economic environment.

Further, in the case of prepayment, Client bears reinvestment risk, because the Firm may be required to invest the proceeds at a lower rate than the original investment. The assets may pay floating interest rates. To the extent interest rates increase, periodic interest obligations owed by the related issuer also will increase. As prevailing interest rates increase, some issuers may not be able to make the increased interest payments on assets or refinance their balloon and bullet loans, resulting in payment defaults.

Spread Widening Risk. For various reasons, the prices of the assets may decline substantially. In particular, purchasing debt instruments or other assets at what may appear to be "undervalued" or "discounted" levels is no guarantee that these assets will not be trading at even lower levels at a time of valuation or at the time of sale. It may not be possible to predict, or to hedge against, such "spread widening" risk. Additionally, the perceived discount in pricing from previous environments described herein may still not reflect the true value of the assets underlying debt instruments in which Client invests.

Leveraged Loans and High Yield Instruments. A severe liquidity crisis in the global credit markets has in the past resulted in, and may again result in, substantial fluctuations in prices for leveraged loans and high yield debt securities

and limited liquidity for such instruments. Although certain sectors may recover in such times, the conditions giving rise to such price fluctuations and limited liquidity may continue and may become more acute. During periods of limited liquidity and higher price volatility, the Firm's ability to acquire or dispose of assets at a price and time that the Firm deems advantageous may be severely impaired. In addition, a broad credit crisis may adversely affect the primary market for a number of financial products, which may reduce opportunities for Client to purchase new issuances of investments.

Unsecured Loans; Unsecured Bonds. Unsecured loans are not secured obligations and do not have the benefit of a pledge of specified property. The absence of a security interest may make unsecured loans more illiquid investments than senior secured loans, second lien loans or secured bonds. Unsecured bonds are not secured obligations and do not have the benefit of a pledge of specified property. The absence of a security interest may make unsecured bonds more illiquid investments than senior secured loans, second lien loans or secured bonds. In addition, unsecured bonds are subordinate in right of payment to one or more other obligations of the related issuer and therefore are subject to additional risks that the cash flows of the related issuer may be insufficient to make the scheduled payments on the subordinated bonds after giving effect to any senior obligations of the issuer. Subordination is also expected to cause subordinated bonds to be more illiquid investments than senior obligations.

Syndicated Debt and Secondary Market Investments. Client may acquire investments in primary transactions and also buy secondary market investments. To the extent Client trades in any syndicated debt, it may be subject to certain additional risks as a result of having no direct contractual relationship with the borrower of the underlying loan. In such circumstances, Client generally will be dependent on the lender to enforce its rights and obligations under the loan arrangements. Such investments will be subject to the credit risk of both the borrower and the lender, because they depend on the lender to make payments of principal and interest received on the underlying loan.

Investment Grade Debt. Investment grade debt obligations are obligations that have credit ratings that are intended to reflect (but will not necessarily reflect) relatively less credit and liquidity risk than those for high yield and mezzanine debt securities. A higher credit rating is not necessarily an indication or a guarantee of actual higher credit quality.

Balloon Loans and Bullet Loans. Balloon and bullet loans involve a greater degree of risk than other types of transactions because they are structured to allow for either small (balloon) or no (bullet) principal payments over the term of the loan, requiring the issuer to make a large final payment upon the maturity of the investment. The ability of such issuer to make this final payment upon the maturity of the investment typically depends upon its ability either to refinance the investment prior to maturity or to generate sufficient cash flow to repay the investment at maturity. The ability of any issuer to accomplish any of these goals will be affected by many factors, including (i) the availability of financing at acceptable rates to such issuer, (ii) the financial condition of such issuer, (iii) the marketability of the collateral (if any) securing such investment, (iv) the operating history of the related business, (v) tax laws and (vi) the prevailing general economic conditions. Consequently, such issuer may not have the ability to repay the investment at maturity, and Client could lose all or most of the principal of the investment. Given their relative size and limited resources and access to capital, some issuers may have difficulty in repaying or refinancing their balloon and bullet loans on a timely basis or at all.

Limited Control of Administration and Amendment of Investments. Client may have limited consent and control rights with respect to an investment, and such rights may not be effective in view of the expected proportion of such obligations held by Client. The Firm will exercise or enforce, or refrain from exercising or enforcing, any or all of Client's rights in connection with the assets or any related documents or will refuse amendments or waivers of the terms of any assets and related documents in accordance with its portfolio management practices. The Firm's ability to agree to changes to the terms of the assets generally will not otherwise be restricted by the Agreement. Client will not have any right to compel the Firm to take or refrain from taking any actions other than in accordance with its portfolio management practices.

U.S. Government Issuers. Clients may acquire debt of U.S. Government issuers. Treasury obligations may differ in their interest rates, maturities, times of issuance and other characteristics. Obligations of U.S. Government agencies and authorities are supported by varying degrees of credit but generally are not backed by the full faith and credit of the U.S. Government. No assurance can be given that the U.S. Government will provide financial support to its agencies and authorities if it is not obligated by law to do so.

Sovereign Debt. Client may also acquire sovereign debt instruments, which are subject to the risk that a governmental entity may delay or refuse to pay interest or repay principal on its sovereign debt, due, for example, to cash flow problems, insufficient foreign currency reserves, political considerations, the relative size of the governmental entity's debt position in relation to the economy or the failure to put in place economic reforms required by the International Monetary Fund or other multilateral agencies. If a governmental entity defaults, it may ask for more time to pay or for further loans, or it may ask for forgiveness of interest or principal on its existing debt. Furthermore, a governmental entity may be unwilling to renegotiate the terms of its sovereign debt. There may be no established legal process for a U.S. bondholder (such as Client) to enforce its rights against a governmental entity that does not fulfill its obligations, nor are there bankruptcy proceedings through which all or part of the sovereign debt that a governmental entity has not repaid may be collected.

Municipal Bonds Risk. Municipal bonds are subject to interest rate, credit and market risk. The ability of an issuer to make payments could be affected by litigation, legislation or other political events or the bankruptcy of the issuer. Lower rated municipal bonds are subject to greater credit and market risk than higher quality municipal bonds. In addition, municipal issuers may be adversely affected by rising health care costs, increasing unfunded pension liabilities, and the phasing out of federal programs that provide financial support to municipalities. Unfavorable conditions and developments relating to projects financed with municipal securities can result in lower revenues to issuers thereof. Issuers often depend on revenues from these projects to make principal and interest payments. The market prices of residual interest bonds may be highly sensitive to changes in market rates and may decrease significantly when market rates increase.

Emerging Markets Securities Risk. Investments in emerging markets securities are considered speculative and subject to heightened risks in addition to the general risks of investing in foreign securities. Unlike more established markets, emerging markets may have governments that are less stable, markets that are less liquid and economies that are less developed. In addition, the securities markets of emerging market countries may consist of companies with smaller market capitalizations and may suffer periods of relative illiquidity; significant price volatility; restrictions on foreign investment; and possible restrictions on repatriation of investment income and capital. Furthermore, foreign investors may be required to register the proceeds of sales, and future economic or political crises could lead to price controls, forced mergers, expropriation or confiscatory taxation, seizure, nationalization or creation of government monopolies.

Leveraged Lease Risk. Client may invest in leveraged leases, which may subject Client to many of the risks listed above. In particular, Client will be subject to the risk that a lessee may not make scheduled payments in a timely manner.

Distressed Securities. Client may invest in "below investment grade" securities and obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to Client's investment in any instrument, and a significant portion of the obligations and securities in which Client invests may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Firm will correctly evaluate the value of the assets underlying a company's loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which Client invests, Client may lose its entire investment, may be required to accept cash or securities with a value less than Client's original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from Client's investments may not compensate Client adequately for the risks assumed. In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will

be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to Client of the security in respect to which such distribution was made. In certain transactions, Client may not be “hedged” against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

Reliance on Corporate Management and Financial Reporting. Client may trade various corporate debt instruments and collateralized debt securities. The Firm may select investments for Client in part on the basis of information and data filed by issuers of securities with various government regulators or made directly available to MIM by the issuers of securities or through sources other than the issuers such as collateral pool servicers. Although the Firm will evaluate all such information and data and seek independent corroboration when it considers it appropriate and reasonably available, the Firm will not be in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information will not be readily available. The Firm is dependent upon the integrity of the management of these issuers and of such servicers and the financial and collateral performance reporting processes in general. Corporate mismanagement, fraud and accounting irregularities on the part of any such issuers may result in material losses to investors such as Client.

Risks Relating to Equity Investing and Limited Partnership Interests

Equity Investment Generally. Common and preferred stocks represent equity ownership in a company. Stock markets are volatile. The price of equity securities will fluctuate and can decline and reduce the value of the assets. The value of equity securities purchased by Client could decline if the financial condition of the companies Client invests in declines or if overall market and economic conditions deteriorate. The value of equity securities may also decline due to factors that affect a particular industry or industries, such as labor shortages or an increase in production costs and competitive conditions within an industry. In addition, the value may decline due to general market conditions that are not specifically related to a company or industry, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or generally adverse investor sentiment.

Preferred Securities. Preferred securities may pay fixed or adjustable rates of return. Preferred securities are subject to issuer-specific and market risks applicable generally to equity securities. In addition, a company’s preferred securities generally pay dividends only after the company makes required payments to holders of its bonds and other debt. Unlike interest payments on debt securities, dividends on preferred shares are generally payable at the discretion of the board of directors of the issuer. For this reason, the value of preferred securities will usually react more strongly than bonds and other debt to actual or perceived changes in the company’s financial condition or prospects. Preferred securities of smaller companies may be more vulnerable to adverse developments than preferred stock of larger companies.

Private Equity and Hedge Funds. Client may invest in securities representing limited partnership interests (or their equivalent) in private equity and hedge funds. Such investments are generally subject to the risks described above under “Restricted Securities,” including with respect to restrictions on transfer or resale, the lack of liquidity to which such investments may be subject and the effect of such illiquidity on valuations, and the loss of certain protections offered under the securities laws to holders of registered securities. In addition to the foregoing, Client’s investments in hedge funds may be subject to other risks, including, without limitation, the risk that restrictions on redemptions may prevent Client from exiting a hedge fund investment during periods of market stress. Investments in private equity and hedge funds are speculative and may subject Client to the risk that the strategy chosen by the fund’s investment manager to achieve the fund’s objective will not be successful. As a limited partner (or its equivalent), Client will have little or no control over the management of a private equity or hedge fund in which it is invested or the investment decisions of the fund’s investment manager.

Risks Relating to Infrastructure assets

In General. Investments in infrastructure debt are subject to all of the potential conflicts of interest set forth below and investment risks set forth above. In addition, most infrastructure assets have unique geographic and market characteristics, as well as regulatory characteristics, that can result in unique costs and delays in the revenues from such assets. Infrastructure assets can have a narrow customer base, and the source of revenues may be affected

significantly by the failure of their customers or counterparties to pay their contractual obligations. Further, the insolvency of a lead contractor, a major subcontractor or a key equipment supplier could result in material delays, disruptions and costs that could significantly impair the financial viability of an infrastructure investment project and any potential revenues. All of these effects on such assets or on the revenues of such assets could negatively affect the cash flow available to service their related debt. Additional risks that could impact the ability of an issuer to meet its principal and interest payments on an infrastructure-related debt obligation or the ability of the Firm to make suitable investments in such obligations on behalf of Client include:

- A project may not be completed within budget, within the agreed time frame and/or to the agreed specification due to labor disputes, shortages of materials or skilled labor or work stoppages, adverse weather conditions, accidents, catastrophic events or terrorist activities and similar events beyond the control of the issuers of debt included in the assets or MIM.
- Infrastructure debt is subject to magnified risks relating to operations and technical issues. There are a limited number of operators with the expertise necessary to successfully maintain and operate infrastructure projects. Mechanical breakdown, spare parts shortages, failure to perform according to design specifications, labor strikes, labor disputes, work stoppages and other work interruptions, and other unanticipated events may adversely affect operations.
- Infrastructure assets typically are subject to numerous statutes, rules and regulations relating to environmental protection that create significant liability to the owners and operators of such assets and/or the lenders to such assets. This regulatory framework is subject to change and to the imposition of more stringent obligations on the infrastructure assets and, therefore, the issuers of debt instruments included in the assets. There can be no guarantee that all costs and risks regarding compliance with U.S. and non-U.S. environmental laws, regulations, regulatory initiatives and permit requirements can be identified at the time that any investment is made or managed as part of the assets.
- In addition to the regulatory constraints and requirements to which debt investments are generally subject, many infrastructure projects are subject to substantial additional governmental regulation. Governments have considerable discretion in implementing regulations.
- Lease, guarantee and concession agreements with governmental authorities are subject to the risk that these authorities will not be able to honor their obligations under the agreement, especially over the long term.
- Client may invest in debt securities of issuers that are subject to commodity price risk, including, without limitation, the price of electricity and the price of fuel.
- Infrastructure assets are often governed by highly complex legal contracts and documents. The risks of a dispute over interpretation or enforceability of the legal contracts and documentation and consequent costs and delays may be higher than for other types of investments.
- From time to time, Client may invest in debt issued by issuers that engage in infrastructure projects in undeveloped areas where there is a lack of existing infrastructure and a higher requirement for capital expenditures. Additionally, even in developed areas, infrastructure assets may be inefficiently managed and/or damaged or destroyed, causing a delay in or termination of the issuer's business operations.
- Issuers may be subject to catastrophic events and other *force majeure* events, including natural disasters, man-made disasters, defective design and construction and other unforeseen circumstances and incidents, during the construction, technical and/or operational phases. Any of such events could have a material adverse effect on the financial condition and business operations on the issuers of the debt instruments included in the assets and project insurance proceeds may be inadequate to mitigate losses.
- Infrastructure investments are often especially subject to political considerations and popular sentiments that could affect the ability of the Firm to source assets on favorable terms, result in a risk of expropriation of assets or otherwise impact the financial stability of the issuer.

Risks Relating to Mezzanine Debt

Mezzanine Debt Securities. Mezzanine debt securities are generally unrated or below investment grade rated investments that have greater credit and liquidity risk than more highly rated debt obligations. Mezzanine debt securities are typically issued in traditional private placements or in connection with acquisitions and other business combinations and have no trading market. Mezzanine debt securities are generally unsecured and subordinate to other obligations of the issuer and are subject to many of the same risks as those associated with high-yield debt securities, as discussed below. Issuers of such debt securities may be highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations.

Leveraged Loans and High Yield Instruments. A severe liquidity crisis in the global credit markets has in the past resulted in, and may again result in, substantial fluctuations in prices for leveraged loans and high yield debt securities and limited liquidity for such instruments. Although certain sectors may recover in such times, the conditions giving rise to such price fluctuations and limited liquidity may continue and may become more acute. During periods of limited liquidity and higher price volatility, the Firm's ability to acquire or dispose of assets at a price and time that the Firm deems advantageous may be severely impaired. In addition, a broad credit crisis may adversely affect the primary market for a number of financial products, which may reduce opportunities for Client to purchase new issuances of investments.

Distressed Securities. "Below investment grade" securities and obligations of issuers may be in weak financial condition, experience poor operating results, have substantial capital needs or negative net worth, face special competitive or product obsolescence problems, and may include companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to Client's investment in any instrument, and a significant portion of the obligations and securities in which Client invests may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Firm will correctly evaluate the value of the assets underlying a company's loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which Client invests, Client may lose its entire investment, may be required to accept cash or securities with a value less than Client's original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from Client's investments may not compensate Client adequately for the risks assumed. In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to Client of the security in respect to which such distribution was made. In certain transactions, Client may not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

Debt Investments Generally. Investments in debt securities are subject to the risk of an issuer's ability to meet principal and interest payments on the obligation (credit risk), price volatility due to interest rate sensitivity, market perception of the creditworthiness of the issuer, general market liquidity (market risk) and potential inability to access additional financing due, e.g., to high leverage (leverage risk). The price of a debt instrument generally moves inversely with interest rates, such that a rise in interest rates typically causes a fall in value, while a fall in interest rates typically causes a rise in value. Bonds generally involve less market risk than stocks; however, the risk of bonds can vary significantly depending upon factors such as the credit quality of the issuer and the maturity of the instrument. For

example, the issuer of a security or the counterparty to a contract may default or otherwise become unable to honor a financial obligation, resulting in losses.

Risks Relating to CDOs

The market value of CDOs will generally fluctuate with, among other things, the financial condition of the obligors on the underlying debt obligations or, with respect to synthetic securities, of the obligors on or issuers of the reference obligations, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates.

CDOs are subject to the risk of an issuer's ability to meet principal and interest payments on the obligation (credit risk), general market liquidity and price volatility due to interest rate sensitivity. Further, CDOs will be subject to certain transfer restrictions that may further restrict liquidity. Therefore, no assurance can be given that if the Firm were to dispose of a particular CDO held for a Client, it could dispose of such investment at the previously prevailing market price. In addition, the performance of CDOs will be adversely affected by macroeconomic factors, including (i) general economic conditions affecting capital markets and participants therein, (ii) the economic downturns and uncertainties affecting economies and capital markets worldwide, (iii) concern about financial performance, accounting and other issues relating to various publicly traded companies and (iv) changes in accounting and reporting standards and bankruptcy legislation. CDOs can also be complex and the securities can be mismodeled by models utilized by the market and cause losses.

Risks Relating to Securities Lending and Repurchase Transactions

Securities Lending and Spread Margin Risk. Client may engage in securities lending. The Firm conducts an independent analysis and approves each counterparty before it is authorized as a Borrower; and client positions are marked-to-market on a daily basis to ensure that the collateral value is maintained at 102% of the securities on loan. In the event of a Borrower default or bankruptcy, the Firm, on behalf of the Lender, would use such collateral to buy an equivalent amount of the loaned security in the open market. However, securities lending involves the risk that a Client may lose money in the event that the Borrower fails to return the loaned securities, or becomes insolvent. Client may also lose money in the event of a decline in the value of collateral provided for loaned securities or a decline in the value of any investments made with cash collateral. If such investments lose value, Client will incur a loss when returning the collateral to Borrower. Further, 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.

In spread margin strategies, the reinvestment of liability proceeds on behalf of clients by the Firm, is dependent on the liability structure for a particular reinvestment portfolio. Reinvestment portfolios with shorter/more liquid liabilities, such as securities lending and/or FACP, hold a greater percentage of High Quality Liquid Assets ("HQLAs"), including U.S. Treasury, Agency securities and mortgage-backed securities, which preserve capital in times of financial stress. Portfolios with longer liabilities and less liquidity risk, generally invest in a higher percentage of spread assets (non-HQLAs). However, Clients may specify guidelines for the reinvestment of cash collateral including credit quality, duration and income targets, and the Firm 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. If the Firm on behalf of client, 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 the Firm 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 addition, under stressful capital market and economic conditions, liquidity broadly deteriorates, which may further restrict the ability to sell securities.

Repurchase Transactions Risk. Client may enter into repurchase transaction agreements. Securities purchased by the Firm on behalf of Client are held with third-party custodians. Securities obtained by a Purchaser at the inception of the transaction are generally equal to 102% of the cash provided to Seller, and the transaction is marked to market to ensure that purchased securities are maintained at a value greater than or equal to 100% such cash for the duration of the transaction. The Firm conducts an independent analysis and approves each financial institution before it is authorized as a repurchase transaction counterparty. However, Firm clients could incur a loss if the Seller fails to

repurchase the securities or becomes insolvent and the value of such securities has decreased relative to the value of the cash held by the seller.

Risks Relating to Derivatives

In General. The use of derivatives instruments involves a variety of material risks, including, but not limited to, those described below. Market liquidity for certain derivatives instruments may be limited, which can make it difficult and costly to terminate, unwind, or close out open positions in order to either realize gains or limit losses.

Derivatives may be used to mitigate a wide range of risks for Clients. Hedging and other management procedures might prove ineffective in reducing the risks the Firm seeks to hedge for clients, and when combined with adverse market events, could produce economic losses beyond the scope of the risk management techniques employed. Any such losses could be increased by higher costs of writing derivatives (including customized derivatives) and the reduced availability of customized derivatives that might result from the implementation of Dodd-Frank and comparable international derivatives regulations.

Market Risk. Market risk is the risk that the value to Client of a transaction will be adversely affected by such factors as:

- fluctuations in the level of interest rates, currency exchange rates, credit indices or equity indexes,
- changes in volatility levels of interest rates, currency exchange rates, credit indices or equity indexes ,
- variances in the correlations or other relationships between various market factors including the derivatives transaction and the asset or liability sought to be hedged or synthetically created, and
- the level of liquidity, or illiquidity, in the market for the relevant transaction or related markets.

Counterparty Risk. Although the Firm will transact derivatives with counterparties that it believes to be creditworthy, there is no guarantee that such counterparties will be able to perform their economic obligations under the derivatives transactions. In addition, centralized clearing of certain OTC derivatives exposes Client to the risk of a default by a clearing member or clearinghouse with respect to its cleared derivative transactions. If counterparties, clearing brokers or central clearinghouses fail or refuse to honor their obligations under Client's derivatives, hedges of the related risk will be ineffective. A counterparty's or central clearinghouse's insolvency, inability or unwillingness to make payments under the terms of derivatives agreements or inability or unwillingness to return collateral will have a material adverse effect on Client's returns on investment.

Funding Risk. Client bears the risk that Client or its counterparty may not have adequate cash available to fund current obligations, which might occur because of mismatches in cash flows due from or to Client's counterparties in OTC derivatives transactions or related hedging, trading, collateral, or other transactions, or delays in payment.

Operational Risk. Client may incur losses because of inadequacies in systems or controls for monitoring and quantifying the risks and contractual obligations associated with OTC derivatives and related transactions, for recording and valuing the transactions or for detecting human error, or from systems failure or management failure.

Special Risks. There may be other significant risks that Client may be exposed to based on the terms of a specific transaction. Highly customized OTC derivatives transactions, in particular, may present heightened liquidity risk and introduce other significant risk factors of a complex character. Unusual or extreme changes in market factors may affect the value of the transaction and the risks associated with it in ways that are not taken into account in most available systems for modeling transaction risk.

Pricing. Because the price and other terms on which Client may enter into or terminate an OTC derivatives transaction are individually negotiated, these may not represent the best price or terms available to Client from other sources.

Increased Cost of Hedging Due to Derivatives Regulation. Dodd-Frank includes a framework of regulation of the OTC derivatives markets which requires clearing of certain types of transactions and imposes additional costs, including reporting and margin requirements. For example, Dodd-Frank imposes requirements to pledge variation and/or initial margin (i) for “OTC-cleared” transactions (OTC derivatives that are cleared and settled through central clearing counterparties), and (ii) for “OTC-bilateral” transactions (OTC derivatives that are bilateral contracts between two counterparties). The margin requirements for OTC-cleared transactions and the variation margin requirements for OTC-bilateral derivatives are already in effect, while the initial margin requirements for OTC-bilateral transactions will likely be applicable to certain Clients in September, 2020. These increased margin requirements, combined with increased capital charges for OTC-bilateral counterparties and central clearinghouses with respect to non-cash collateral, (i) will likely require Clients to increase holdings of cash and highly liquid securities with lower yields causing a reduction in income, (ii) could adversely affect the liquidity of a Client’s investments and the composition of a Client’s investment portfolio, and (iii) could result in less favorable pricing for OTC-cleared and OTC-bilateral transactions.

Hedge Effectiveness/Basis Risk. The Firm may use derivatives to hedge various business risks, including the impact of increased benefit exposures from certain annuity products that offer guaranteed benefits. Client is subject to the risk that hedging and other management procedures might prove ineffective in reducing the risks to which insurance policies expose the Firm or that unanticipated policyholder behavior or mortality, combined with adverse market events, could produce economic losses beyond the scope of the risk management techniques employed. Any such losses could be increased by higher costs of writing derivatives (including customized derivatives) and the reduced availability of customized derivatives that might result from the implementation of Dodd-Frank and comparable international derivatives regulations. Derivative types may include options, forwards, interest rate, credit default and currency swaps with a number of counterparties on a bilateral basis for uncleared OTC derivatives and with clearing brokers and central clearinghouses for OTC cleared derivatives. If counterparties, clearing brokers or central clearinghouses to such derivatives fail or refuse to honor their obligations under these derivatives, hedges of the related risk will be ineffective.

Risks Relating to Mortgage- and Asset-Backed Securities

In General. Mortgage-backed securities (residential and commercial) and asset-backed securities represent interests in “pools” of mortgages or other assets, including consumer loans or receivables held in trust. Although asset-backed and commercial mortgage-backed securities (“CMBS”) generally experience less prepayment than residential mortgage-backed securities, mortgage-backed and asset-backed securities, like traditional fixed-income securities, are subject to credit, interest rate, prepayment and extension risks. Small movements in interest rates (both increases and decreases) may quickly and significantly reduce the value of certain mortgage-backed securities. Client’s investments in asset-backed securities are subject to risks similar to those associated with mortgage-related securities, as well as additional risks associated with the nature of the assets and the servicing of those assets. These securities also are subject to the risk of default on the underlying mortgage or assets, particularly during periods of economic downturn. Certain CMBS are issued in several classes with different levels of yield and credit protection. Client’s investments in CMBS with several classes may be in the lower classes that have greater risks than the higher classes, including greater interest rate, credit and prepayment risks.

Mortgage-backed securities may be either pass-through securities or collateralized mortgage obligations (“CMOs”). Pass-through securities represent a right to receive principal and interest payments collected on a pool of mortgages, which are passed through to security holders. CMOs are created by dividing the principal and interest payments collected on a pool of mortgages into several revenue streams (tranches) with different priority rights to portions of the underlying mortgage payments. Certain CMO tranches may represent a right to receive interest only (“IOs”), principal only (“POs”) or an amount that remains after floating-rate tranches are paid (an inverse floater). These securities are frequently referred to as “mortgage derivatives” and may be extremely sensitive to changes in interest rates. Interest rates on inverse floaters, for example, vary inversely with a short-term floating rate (which may be reset periodically). Interest rates on inverse floaters will decrease when short-term rates increase, and will increase when short-term rates decrease. These securities have the effect of providing a degree of investment leverage. In response to changes in market interest rates or other market conditions, the value of an inverse floater may increase or decrease at a multiple of the increase or decrease in the value of the underlying securities. If Client invests in CMO tranches (including CMO tranches issued by government agencies) and interest rates move in a manner not anticipated by the Firm, it is possible that Client could lose all or substantially all of its investment. Certain mortgage-

backed securities in which Client may invest may also provide a degree of investment leverage, which could cause Client to lose all or substantially all of its investment.

During the global economic crisis, the mortgage market in the U.S. experienced difficulties that adversely affected the performance and market value of certain mortgage-related investments. During the global economic crisis, delinquencies and losses on mortgage loans (including subprime and second-lien mortgage loans) generally increased, and the decline in or flattening of real-estate values (as has been experienced and may continue to be experienced in many housing markets) exacerbated such delinquencies and losses. Also, a number of mortgage loan originators experienced serious financial difficulties or bankruptcy. Reduced investor demand for mortgage loans and mortgage-related securities and increased investor yield requirements caused limited liquidity in the secondary market for mortgage-related securities, which adversely affected the market value of certain mortgage-related securities. It is possible that such limited liquidity in such secondary markets could arise in a similar manner in the event of any downturn in the U.S. mortgage market. Asset-backed securities entail certain risks not presented by mortgage-backed securities, including the risk that in certain states it may be difficult to perfect the liens securing the collateral backing certain asset-backed securities. In addition, certain asset-backed securities are based on loans that are unsecured, which means that there is no collateral to seize if the underlying borrower defaults.

Risks Relating to Investments in Mortgage Loans

Residential Mortgage Loans and Mortgage Loans Generally. Client may invest in mortgage loans and may be subject to all of the risks inherent in mortgage loan investments, including:

- Client is at risk of defaults by the borrowers on those mortgage loans. These defaults may be caused by many conditions beyond the Firm's control, including interest rate levels and local and other economic conditions affecting real estate values. The Firm will not know whether the values of the properties securing the mortgage loans will remain at the levels existing on the dates of origination of those mortgage loans. If the values of the underlying properties drop, the risk to Client will increase.
- Fixed-rate, long-term mortgage loans could yield a return that is lower than the then-current market rates if interest rates rise. If interest rates decrease, Client could be adversely affected to the extent that mortgage loans are prepaid because Client may not be able to generate equivalent returns upon reinvestment of the funds.
- Declines in real estate values may induce mortgagors to voluntarily default on their loans, increasing the risk of foreclosure and loss of capital.
- Delays in liquidating defaulted mortgage loans could reduce Client's investment returns. If there are defaults under those mortgage loans, MIM (or its agent) may not be able to repossess and sell the underlying properties quickly. The resulting time delay could reduce the value of Client's investment in the defaulted mortgage loans. An action to foreclose on a property securing a mortgage loan is regulated by state statutes and regulations and is subject to many of the delays and expenses of other lawsuits if the defendant raises defenses or counterclaims.

Commercial Mortgage Loan Risk. Client may invest in or originate commercial mortgage loans. The value of Client's commercial mortgage loans may be influenced by the historical rate of delinquencies and defaults experienced on the commercial mortgage loans and by the severity of loss incurred as a result of such defaults. The factors influencing delinquencies, defaults and loss severity include (i) economic and real estate market conditions by industry sectors (e.g., multifamily, retail, office); (ii) the terms and structure of the mortgage loans; and (iii) any specific limits to legal and financial recourse upon a default under the terms of the mortgage loan. The ability of a borrower to repay a commercial mortgage loan secured by income-producing property typically is dependent primarily upon the successful operation and operating income of such property (i.e., the ability of tenants to make lease payments, the ability of a property to attract and retain tenants, and the ability of the owner to maintain the property, minimize operating expenses, and comply with applicable zoning and other laws) rather than upon the existence of independent income or assets of the borrower and many commercial mortgage loans may provide recourse only to specific assets, such as the property, and not against the borrower's other assets or personal guarantees. Commercial mortgage loans generally do not fully amortize, which can necessitate a sale of the property or refinancing of the remaining "balloon"

amount at or prior to maturity of the mortgage loan. Accordingly, investors in and originators of commercial mortgage loans bear the risk that the borrower will be unable to refinance or otherwise repay the mortgage at maturity, thereby increasing the likelihood of a default on the borrower's obligation. Exercise of foreclosure and other remedies may involve lengthy delays and additional legal and other related expenses, including transfer taxes, in addition to potentially declining property values. In certain circumstances, the creditors may also become liable upon taking title to an asset for environmental or structural damage existing at the property.

Agricultural Mortgage Loans. Client may invest in or originate agricultural mortgage loans. The risks associated with agricultural mortgage loans are similar to those described above with respect to commercial mortgage loans. The ability of a borrower to timely repay a mortgage loan secured by agricultural real property and/or outbuildings or facilities and to avoid default may be influenced by a variety of factors, including fluctuations in the price of agricultural commodities and the impact of the weather and catastrophic events such as tornadoes and flooding on yields from tillable land, which may be outside the control of the borrower. To the extent a borrower defaults on an agricultural mortgage loan, the assets seized in a foreclosure may be highly illiquid.

Risks Relating to Real Estate Investments

Real Estate Investments Generally. The main risk of real estate related investments is that the value of the real estate may go down. Many factors may affect real estate values. Real estate investments generally will be subject to the risks incident to the ownership and operation of real estate and/or risks incident to the making of nonrecourse mortgage loans secured by real estate, including (i) risks associated with both the domestic and international general economic climate; (ii) local real estate conditions; (iii) risks due to dependence on cash flow; (iv) risks and operating problems arising out of the absence of certain construction materials; (v) changes in supply of, or demand for, competing properties in an area (as a result, for instance, of over-building); (vi) the financial condition of tenants, buyers and sellers of properties; (vii) changes in availability of debt financing; (viii) energy and supply shortages; (ix) changes in the tax, real estate, environmental and zoning laws and regulations; (x) various uninsured or uninsurable risks; (xi) natural disasters; and (xii) the ability of Client or third-party borrowers to manage the real properties. The availability of mortgages and changes in interest rates may also affect real estate values. If Client's real estate related investments are concentrated in one geographic area or in one property type, Client will be particularly subject to the risks associated with that area or property type.

Real Estate Investment Trusts. In addition to the risks facing real estate and real estate-related securities, such as a decline in property values due to increasing vacancies, a decline in rents resulting from unanticipated economic, legal or technological developments or a decline in the price of securities of real estate companies due to a failure of borrowers to pay their loans or poor management, investments in real estate investment trusts ("REITs") involve unique risks. REITs may have limited financial resources, may trade less frequently and in limited volume and may be more volatile than other securities. As a result, some of Client's investments are subject to the risks incident to investments in REITs and companies engaged in real estate activities, generally, including: (i) potential environmental liabilities, the risk of uninsured losses, the perceptions of prospective tenants of the safety, convenience and attractiveness of the properties, the ability of the owner to provide adequate management, maintenance and insurance, the expenses of periodically renovating, repairing and re-letting spaces, and increasing operating costs (including mortgage payments, real estate taxes, insurance, maintenance costs and utilities) which may not be passed through to tenants; (ii) risks of owning properties through joint ventures or partnerships which may render a REIT or a company engaged in real estate activities unable to exercise sole decision-making authority and subject the REIT or other company to the risk that a joint venturer or partner will act in a manner contrary to its best interests; (iii) general real estate investment considerations, such as the effect of local economic and other conditions on property cash flows and values, the need to re-let space upon the expiration of current leases, dependence on major tenants and the possibility of tenant defaults, the ability of a property to generate revenue sufficient to meet debt service payments and other operating expenses, periodic excessive real estate development, and the illiquidity of real estate investments, all of which may affect the REIT's or other company's ability to make expected distributions to its stockholders; (iv) possible increases in interest rates, which may lead prospective purchasers of real estate equity securities, as well as other classes of equities, to demand higher annual yields, and which would adversely affect the market price of such securities; (v) borrowing risks; (vi) relative illiquidity of real estate investments which will tend to limit the ability of a REIT or non-REIT issuer to vary its holdings promptly in response to changes in local economic or other conditions; and (vii) risks associated with the management by REITs of properties owned by third parties,

including the risk that management contracts (which are typically cancelable without notice) will be terminated by the entity controlling the property or in connection with the sale of such property, that contracts may not be renewed upon expiration or may not be renewed on terms consistent with current terms, and that the rental revenues upon which management fees are based will decline as a result of general real estate market conditions or specific market factors. Investments in REITs are also subject to special risks, including, without limitation: (i) restrictions on ownership (which may prohibit ownership of more than 9.9% of a REIT's shares by one investor), which are designed to ensure that the REIT does not violate certain share accumulation restrictions imposed by federal tax laws on REITs and which may also deter possible acquisitions of, or changes in control of, a REIT; (ii) many REITs have small-to-medium sized market capitalizations which may be more volatile than prices of large-capitalization securities and an investment in such securities may be less liquid; and (iii) tax risks, including risk of changes in the tax laws that may cause a REIT to fail to qualify as a REIT or cause REITs, generally, to be subject to corporate taxation.

Risks Relating to Foreign Investments

In General. Client may invest in companies located in countries other than the U.S. Accordingly, Client may be exposed to risks associated with foreign investments, including:

- The value of holdings traded outside the United States (and any hedging transactions in foreign currencies) will be affected by changes in currency exchange rates.
- The costs of non-U.S. securities transactions tend to be higher than those of U.S. transactions.
- Foreign holdings may be adversely affected by foreign government action, including expropriation or seizure.
- International trade disputes or economic sanctions against certain non-U.S. countries may adversely affect these holdings.
- The economies of certain countries may compare unfavorably with the U.S. economy.
- Foreign securities markets may be smaller than the U.S. markets, which may make trading more difficult.
- Foreign companies are not subject to uniform accounting, auditing and financial reporting standards and requirements comparable to those applicable to U.S. companies.
- In the event of a default of any foreign debt obligations, it may be more difficult for Client to obtain or enforce a judgment against the issuers of such securities.
- Changes or modifications in existing judicial decisions or in the current positions of the IRS, either taken administratively or as contained in published revenue rulings and revenue procedures (which changes or modifications may apply with retroactive effect), and the passage of new legislation, could lead to unfavorable treatment of certain non-U.S. securities which could adversely impact the Client's portfolio.

Risks Relating to Conflicts of Interest

Client should be aware that there will be occasions when the Firm and its affiliates will encounter potential conflicts of interest in connection with activities relating to investments on behalf of Client.

Allocations. The Firm serves as the investment manager for third party accounts, the MetLife Accounts, and certain investment vehicles sponsored by the Firm. Accordingly, potential conflicting interests or duties may arise because the Firm undertakes investment management activities for another account or accounts, including a MetLife Account, investing in the same assets or the same issuers as Client. The Firm acts as adviser to other accounts, including the MetLife Accounts and may give advice and take action with respect to any of those accounts which may differ from the advice given, or the time or nature of action taken, with respect to the Client's portfolio. There can be no assurance that any MetLife Account that makes an investment alongside Client will continue to hold such investment until its maturity. In addition, investment opportunities will likely be appropriate for more than one of these accounts. This presents a potential conflict of interest for the Firm as there are competing benefits it derives depending upon which account is allocated a specific investment opportunity. Those competing benefits may include, without limitation, different management fee arrangements and different levels of ownership by MetLife Accounts. Consistent with its fiduciary duties to its clients, the Firm has adopted policies and procedures designed to appropriately manage this

conflict, including its allocation policy (as discussed in greater detail in response to Item 10 below); however, while diligent efforts will be made to allocate opportunities where appropriate to each account in a fair and equitable manner over time and in accordance with the applicable investment allocation policy, Client will not receive every allocation every time one is sourced and Client may be disadvantaged or harmed by the manner or timing of allocated investment opportunities. For example, a transaction for one account may adversely affect the price at which a transaction in the same instrument can be effected for Client.

Other Relationships. The Firm and MetLife affiliates have existing and potential relationships with a significant number of corporations, institutions and individuals in matters related to their other businesses and investments. As a result of these relationships, the Firm may face conflicts of interest in connection with transactions involving an investment by Client with such persons, including with respect to the consideration offered by, and the obligations of, such persons. In determining whether to pursue a particular investment on behalf of Client, these relationships could be considered by the Firm, and there may be certain potential investments that will not be pursued on behalf of Client in view of such relationships. As a result, there can be no assurance that all potentially otherwise suitable investment opportunities that come to the attention of the Firm will be made available to Client.

Use of Material, Non-Public Information. Certain employees of MetLife may learn of confidential, non-public information in connection with other activities. As such, the Firm 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

The Firm 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, the Firm is a subsidiary of MetLife, Inc. The Firm is under common control with other registered investment advisers, broker dealers and insurance companies. Any relationship between the Firm and another MetLife affiliate material to a prospective client's evaluation of the Firm, including conflicts of interest, is disclosed as appropriate within this Disclosure Brochure or in applicable offering documents.

Relationship with MetLife Investment Management Affiliates¹

The Firm is part of MetLife's institutional investment management business, MetLife Investment Management, which has more than 900 professionals located around the globe and is affiliated with many types of U.S. and non-U.S. financial service providers, including other investment advisers, broker-dealers and insurance companies. Some Firm employees also are officers and employees of some of these affiliates and are likely to recommend the same security to clients of both the Firm and the affiliate. In addition, the Firm delegates a portion of its investment management responsibilities to, and receives investment services from, certain of these affiliates, including trading execution services and receipt of investment research. Likewise, the Firm provides investment research and sub-advisory services to certain of these affiliates. When the Firm is managing an affiliate's client account through a sub-advisory relationship, such client will be treated as a client of the Firm for purposes of investment allocations. Both the Firm and these affiliates have adopted trade allocation policies to address this particular conflict of interest where it arises, as further discussed below in response to this Item 10.

Relationship with Other Affiliated Investment Advisers

UK Investment Management Affiliate

The Firm's affiliate, MetLife Investment Management Limited ("MIML"), located in London, England, is registered with the U.K. Financial Conduct Authority 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. The Firm's

¹ Subsidiaries of MetLife, Inc. that provide investment management services include, in addition to the Firm, Metropolitan Life Insurance Company, MetLife Investment Management Limited, MetLife Investments Limited, MetLife Investments Asia Limited, MetLife Latin America Asesorias e Inversiones Limitada, MetLife Asset Management Corp. (Japan) and MIM I LLC. Effective July 1, 2019, Logan Circle Partners, L.P., previously also a Firm affiliate, merged with and into the Firm.

other affiliate in London, MetLife Investments Limited, provides investment management services solely to affiliates, including investment research and trade execution services to the Firm.

Japan Investment Management Affiliate

The Firm's affiliate, MetLife Asset Management Corp. (Japan) ("MAM"), is a Financial Services Agency registered discretionary investment manager located in Japan. MAM provides investment management services to institutional investors located in Japan.

Hong Kong Investment Management Affiliate

The Firm's affiliate, MetLife Investments Asia Limited ("MIAL"), is licensed by the Securities and Futures Commission of Hong Kong ("SFC") to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities in Hong Kong. MIAL provides investment management services to institutional investors located in Hong Kong.

Chile Investment Management Affiliate

The Firm's affiliate, MetLife Latin America Asesorias e Inversiones Limitada, provides investment management services solely to MetLife affiliates in the LatAm region and investment research services to the Firm.

Relationship with Broker-Dealer Affiliate

The Firm'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 the Firm to institutional clients. Certain of the Firm's personnel are also registered representatives of MISL and engage in the marketing activities associated with the private funds managed by the Firm; however, they do not receive any sales commissions for these activities.

Relationship with Affiliated or Sponsored Investment Vehicles

Private Funds. The Firm serves as the investment adviser to multiple private funds located globally. One or more subsidiaries of the Firm serve as the general partner to certain of such funds.

Mutual Funds. The Firm serves as investment adviser to mutual funds which the Firm sponsors.

Collective Investment Trust Funds. The Firm serves as investment adviser to certain trust companies organized under the Pennsylvania Banking Code that are sponsored by the Firm.

The Firm and its affiliate employees may have an ownership interest in these affiliated or sponsored investment vehicles.

Additional Conflicts Related to Affiliations

Conflicts Related to the Financial Interests of Affiliates. Affiliates of the Firm may have financial interests in, or relationships with, companies whose securities the Firm purchases or sells for its third party client accounts. At any time, these affiliates' interests and relationships could be inconsistent or in potential or actual conflict with positions held or actions taken by the Firm on behalf of its' third party client accounts. For example: (1) due to the fact that MetLife affiliates hold public and private debt and equity securities of a large number of issuers, the Firm's third party clients may invest in some of the same issuers, but at different levels in the capital structure, and (2) MetLife affiliates may hold the senior debt of an issuer whose subordinated debt is held by the Firm's third party clients or hold secured debt of an issuer whose public unsecured debt is held in the Firm's third party client accounts. In the event of restructuring or insolvency, the MetLife affiliates as holders of senior debt may exercise remedies and take other actions that are not in the interest of, or are adverse to, other clients of the Firm that are the holders of junior debt. In addition, MetLife affiliates sell various products and/or services to certain companies whose securities the Firm may purchase and sell on behalf of clients or who may have other relationships with the Firm (such as a tenant in a building owned by a client or a counterparty on a derivatives trade). While the Firm makes investment decisions for each client independently considering the best interests of such client, there can be no guarantee that any actual or potential conflicts will be resolved in favor of such client or that actions taken by an affiliate will not adversely affect the value of a client investment.

Transactions with Related Parties. The Firm from time to time engages certain of its affiliates to provide services to its clients. The use of MetLife affiliates to provide these services is likely to raise potential conflicts of interest because there is an incentive for the Firm to favor its affiliates over unaffiliated third parties.

Conflicts Related to Investment Consultants. Certain of the Firm's clients and prospective clients retain investment consultants to advise them on the selection and review of investment managers (including with respect to the selection of investment funds). The Firm may have dealings with these investment consultants in their roles as discretionary managers or non-discretionary advisers to their clients. The Firm may also have independent business relationships with investment consultants, or other interactions with such consultants. In general, the Firm relies on the investment consultant to make the appropriate disclosure to its clients of any conflict that the investment consultant believes to exist due to its business relationships with the Firm.

Conflicts Related to Service Providers. The Firm retains third party advisors and other service providers to provide various services to the Firm as well as for funds that the Firm manages or sub-advises. If a service provider is engaged to provide services to the Firm or one or more of the Firm's funds and managed accounts while also providing services to other MetLife affiliates, such service provider will generally negotiate rates in the context of the overall relationship with the Firm or MetLife. In such a scenario, the Firm will generally benefit from negotiated fee rates offered to the Firm's funds and managed accounts and vice versa. The Firm will not necessarily be able to obtain advantageous fee rates from a given service provider negotiated by MetLife affiliates based on their relationship with the service provider.

Valuation. The assets and liabilities of the Firm's clients will be valued in accordance with the Firm's valuation policy, which is designed to comply with relevant industry standards and represent current best practices for valuations and impairments. The Firm's clients should be aware that there is a conflict of interest to the extent that the Firm or an affiliated entity is performing valuations for the Firm's clients, including, among others, when the Firm is expected to receive management fees (or, in certain cases, performance-based compensation) based on such valuations. In addition, for certain assets held by MetLife Accounts, the Firm's valuation policy provides for different valuation methodologies to be used for such assets as compared to that used for assets held by third party clients. As a result, there may be instances where the Firm attributes a different value to the same asset, depending on whether such asset is held by a MetLife Account or a third party client.

Conflicts Related to Overlapping Client Investments. Where clients hold the same investment, the differing investment objectives of such clients, as well as other factors applicable to the specific situation, may result in a determination to dispose of, or retain, all or a portion of an investment on behalf of a client at different times as such investment or portion thereof is being disposed of, or retained, by other clients. In addition, particularly with respect to illiquid or private investments, conflicts of interest can arise when disposing of a particular investment would be beneficial for one client while retaining such investment would be beneficial for another client. The Firm may also recommend investments to or purchase securities for the account of one client (or supervised persons may purchase such securities) that may differ from investments recommended or purchased for other clients, even though the investment objectives of other these clients may be similar. Moreover, the Firm and its affiliates may make investments or engage in other activities that express inconsistent views with respect to an entity in which the Firm has invested client assets, a particular security or relevant market conditions. For example, if the Firm or its affiliate makes an investment on behalf of one client that expresses a negative outlook on a particular investment in which other clients are invested, this may reduce the value of other clients' investments.

In addition, the Firm's portfolio managers generally make investment decisions for the respective clients whose accounts they manage independently of the manner in which a similar or even the same investment may be viewed by other portfolio managers or other Firm business units. In addition, the Firm may take different approaches to hedging for certain clients.

The Firm may invest in the same issuers for client accounts, but at different levels in the capital structure. For example, one client may hold securities in an entity that are senior or junior to the debt securities held by another client, and in the event of restructuring or insolvency clients will be entitled to different payment or other rights. In a workout or other distressed scenario, the interests of one client might be adverse to those of other clients so that some clients might recover all or part of its investment while the other clients might not.

Allocation Policy

In order to address the conflicts related to the affiliations described herein, the Firm has implemented compliance policies and procedures, including an allocation policy that covers each asset class. This allocation policy is designed to ensure that investment opportunities are allocated in a fair and equitable manner over time to Firm clients, including third party clients and the MetLife Accounts. In certain situations, when a single investment opportunity cannot readily be shared on a pro rata basis, the allocation policy generally provides for allocation of the investment opportunity on a rotational basis. When possible, the desired target participation amounts for each transaction (including the MetLife Accounts' interests) are aggregated and placed as a single bid/order. The MetLife Accounts may seek a larger position than third party clients in these transactions based on the size of the MetLife Accounts' portfolios as compared to individual third party client mandates. If the entire bid/order can be filled, each third party client and the MetLife Accounts will 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 participant's allocation below its stated minimum, or result in a *de minimis* allocation, the policy generally provides that the participant would not be allocated any of the acquired investment and its share would be reallocated among the other participating accounts including the MetLife Accounts. As a result, if the MetLife Accounts are participating in that transaction, they would receive an increased allocation whereas the affected third party client would not receive any allocation. A copy of the Firm's allocation policy is available upon request.

The foregoing list of conflicts of interest does not purport to be a complete enumeration or explanation of the conflicts involved in an investment with, or managed by, the Firm. In addition, as the Firm's investment programs and clients develop and change over time, a client may be subject to additional and different conflicts.

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

The Firm and persons associated with the Firm are permitted to buy or sell securities that it also recommends to clients consistent with the Firm's policies and procedures. The Firm has implemented a Code of Ethics (the "Code") pursuant to Rule 204A-1 under 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. A copy of the Firm's Code of Ethics is available to any client or prospective client upon request.

In addition to its Code of Ethics, the Firm:

- Maintains and enforces written policies reasonably designed to prevent the unlawful use of material non-public information by the Firm or any of its employees.
- Has implemented ethical wall procedures to limit the receipt of material non-public information to personnel who often have access to confidential information, such that the investment activities of the rest of the Firm are not otherwise restricted due to the imputation of such material non-public information to the rest of the Firm (as described in further detail below). Has implemented policies and procedures that prohibit favoring any MetLife Account over a third party client's account (as described in further detail in response to Item 10 above).
- Has adopted policies that prohibit asset transfers between client portfolios unless such transactions are executed in accordance with the requirements of the Advisers Act.

Material Non-Public Information ("MNPI") and Ethical Wall

To control the flow of MNPI within the Firm and to prevent its misuse, the Firm has established policies and procedures that are designed to control receipt of MNPI and appropriately manage related trading issues. These policies and procedures include, where appropriate, use of information barriers. An information barrier may include, as dictated by the applicable facts and circumstances, the physical, technological and operational separation to various degrees ("walling off") of certain of the Firm's business units or personnel, as well as those of its affiliates involved in different

businesses, and other policies and procedures designed to prevent the unauthorized access to, or dissemination of, MNPI. The purpose of the information barrier is, among other things, to limit the receipt of MNPI to such personnel who often have access to confidential information, such that the investment activities of the rest of the Firm are not otherwise restricted because the designated personnel may have MNPI that would be imputed to the rest of the Firm in the absence of an information barrier. The Firm has established and is expected to continue to establish, additional information barriers when appropriate, including in connection with its various investment units. In some instances, the Firm could create an “isolated information barrier” around a small number of employees within an investment unit who come into possession of MNPI about an issuer, so that their knowledge is not attributed to the rest of the unit.

As a result of information barriers between the Firm’s business units primarily investing in private asset sectors (collectively, “MIM Private Units”), the Firm’s unit primarily investing in public asset sectors (“MIM Public Fixed Income”) will make investment decisions independently of MIM Private Units. Notwithstanding the policies and procedures in place between MIM Public Fixed Income and MIM Private Units, conflicts of interest may arise among and between such units of the Firm. In certain cases, the investment objectives and programs of MIM Public Fixed Income or its clients are similar to, or overlap with, the investment strategies and objectives of MIM Private Units or its clients. MIM Public Fixed Income may invest in the same securities or issuers in which MIM Private Units is invested. In addition, MIM Public Fixed Income may invest in a particular security or entity at substantially the same time as MIM Private Units. The information barrier may result in differences in price, terms and amount of leverage (if any), and associated transaction costs. In addition, MIM Public Fixed Income likely will not dispose of such an investment at substantially the same price or time as MIM Private Units. MIM Private Units also may make investments or engage in other activities that express views inconsistent with those of MIM Public Fixed Income, which may reduce the value of client investments managed by MIM Public Fixed Income.

MIM Public Fixed Income also may invest in entities or assets in which MIM Private Units have an existing investment. Similarly, MIM Private Units may later invest in entities or assets that MIM Public Fixed Income are invested in, which may have an effect (either positive or negative) on the market prices of MIM Public Fixed Income clients. This would potentially result in MIM Private Units clients being senior to MIM Public Fixed Income clients in the capital structure of an issuer, which could mean that, in a workout or other distressed scenario, the interests of MIM Private Units clients might be adverse to MIM Public Fixed Income clients and MIM Private Units clients might recover all or part of the investment while MIM Public Fixed Income clients may not. MIM Private Units will not be required to take any action or withhold from taking any action to mitigate losses by MIM Public Fixed Income clients in such a scenario. In addition, MIM Private Units may seek to exercise creditor’s rights under the applicable loan agreement or other documents in a manner which may be detrimental to other investors, including MIM Public Fixed Income clients.

Cross-Transactions

From time to time, the Firm may sell a security from a client account and purchase the same security in another client account through a so called “cross transaction” in accordance with the Firm’s procedures if the Firm deems the transaction to be in the best interest of each participating client and is permitted by applicable client’s investment management agreement and regulatory requirements.

Item 12: Brokerage Practices

To the extent the Firm transacts in public securities or other securities which are customarily transacted through broker-dealers, the Firm generally does not recommend the use of a particular broker-dealer for clients’ accounts and the client is responsible for negotiating commission rates and transaction charges (if applicable) with the chosen broker-dealer.

Should the Firm recommend a broker-dealer to a client, factors which it 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.

If the Firm 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. The Firm 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 who provide investment research products and/or services which assist the Firm in its investment decision-making process. Such research generally will be used to service all of the Firm's clients, but not all research will 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 the Firm does not have to produce or pay for the products or services and it could appear to select brokers based on its interest in receiving research and other benefits, rather than its clients' best interest in receiving most favorable execution..

Additionally, for certain transactions executed on behalf of the Brighthouse Funds, the Firm 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 Brighthouse Funds and the Firm receives no financial benefit from these arrangements.

The Firm 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

The Firm 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 the Firm. The Firm 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.

The Firm 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 the Firm, are set forth in the applicable agreement between the Firm and the client.

Item 14: Client Referrals and Other Compensation

The Firm 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 the Firm and does not result in any additional charge to the client. Unaffiliated solicitors will provide clients with a copy of the Firm'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, the Firm may prepare periodic supplemental reports. Any supplemental reports should be carefully reviewed and compared against statements received directly from the client's account custodian, to the extent the account contains the types of investments that would be held with a custodian.

The Firm does not generally accept custody of clients' securities. To the extent the Firm has the authority to request a financial institution to debit its advisory fee from a client's account and remit the fee directly to the Firm, the Firm 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

The Firm 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 applicable custody rules. In addition, these assets are maintained with a qualified custodian, and the Firm ensures it has a reasonable belief that the custodian is sending the client quarterly statements.

Delivery of Audited Financial Statements

The Firm obtains and distributes US GAAP audited financials, as applicable, for each pooled investment vehicle it manages to the funds' investors within the required timeframe for each such vehicle to comply with applicable custody rules.

Item 16: Investment Discretion

For certain Firm client accounts, the Firm 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 the Firm's discretionary authority.

Item 17: Voting of Client Securities

The Firm generally does not provide investment management services on the type of investments that generate proxies. The Firm has implemented policies and procedures (the "Proxy Policies") that govern how the Firm 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. The Firm 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 the Firm or its affiliates do not affect voting decisions on behalf of clients.

Based on the guiding principle that all votes made by the Firm 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, the Firm has implemented detailed proxy voting guidelines (the "Guidelines") that set forth how the Firm 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. The Firm, 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, the Firm's Proxy Policy Committee, which is comprised of senior investment personnel, and legal and compliance personnel, must first make a determination whether there is any material conflict of interest between the Firm (or any of its affiliates) and clients.

The Firm 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 the Firm's Guidelines. Should a proxy arise that is not covered by the Guidelines, the proxy will be voted in accordance with ISS's guidelines. Should a proxy arise that is not covered by either the Guidelines or ISS's guidelines, ISS will be directed to vote in a manner approved by the Firm's Proxy Policy Committee. In addition, the Firm 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 the Firm voted securities held in their accounts, by contacting Elisabeth Bedore, Chief Compliance Officer of the Firm, at (973) 355-4048.

Item 18: Financial Information

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

Item 19: Requirements for State-Registered Advisers

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