

# Brochure / ADV 2A

CRD No. 149156 | SEC File No. 801-69862



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## Introduction

Legal & General Investment Management America, Inc. ("LGIMA") is an investment adviser registered with the Securities and Exchange Commission ("SEC"). This brochure provides information about our qualifications and business practices and constitutes our Form ADV Part 2A. If you have any questions about the contents of this brochure, please contact us at (312) 585-0300 or e-mail [legalcompliance@lgima.com](mailto:legalcompliance@lgima.com).

**The information in this brochure has not been approved or verified by the SEC or any state or foreign securities authority. Registration does not imply that we have attained a certain level of skill or training. We encourage you to visit the SEC's Investment Adviser Public Disclosure ("IAPD") for more information about us. The IAPD web address is [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Item 2 – Material Changes

This brochure accompanies our 2019 ADV Annual Amendment. Our brochure was last amended on October 17, 2018. The material changes that occurred since our last filing include: (1) LGIMA's addition of three, and the removal of one, active fixed income strategy (Item 4.B.1.); (2) the addition of two private funds, and removal of one fund, for passive equity index strategies (Item 4.6)); and (3) a notation to address a pending change of Chairman of the LGIMA Board and CEO of LGIM (Item 10.C(3)).

The other changes reflected in this brochure that occurred since our last filing include the following: (4) an update to the assets under management as of January 31, 2019 (Item 4.E); (5) enhanced wording to incorporate how LGIMA mitigates conflicts in regard to fees paid by affiliates or larger investors (Item 4.E); (6) updates to the Passive Index fee schedule (Item 5.IV.); (7) additional detail regarding fees and expenses for active credit-based or LDI strategies in a Private or CIT Fund (Item 5.V.C); (8) the incorporation of enhanced monitoring over other risks with a focus on material service providers (Item 8.C); (9) the addition of two affiliate portfolios of which we manage assets (Item 10.C); (10) enhanced disclosure to address the controls in place to ensure our affiliate complies with MiFID II's regulation in regard to the sharing of research (Item 12.A); and (11) further disclosure to denote certain arrangements in place with consultants or service providers (Item 14).

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## Item 4 – Advisory Business

### A. Description of the Advisory Firm

LGIMA is a company incorporated under the laws of the State of Delaware. LGIMA is registered with the SEC, both the Ontario Securities Commission (“OSC”) and the Quebec Autorité des Marchés Financiers (“AMF”) in Canada, the Commodity Futures Trading Commission (“CFTC”), and is a member of the National Futures Association (“NFA”).

We are a wholly-owned subsidiary of Legal & General Investment Management United States (Holdings), Inc. (“U.S. Holdings”), a Delaware corporation and subsidiary of Legal & General Investment Management (Holdings) Ltd. (“LGIM(H)”), a company incorporated under the laws of England and Wales, which in turn is a wholly-owned subsidiary of Legal & General Group PLC, (“Legal & General”), a publicly-traded company in the United Kingdom (“U.K.”). LGIMA is an affiliate of Legal & General Investment Management Ltd. (“LGIM”), a London-based adviser authorized and regulated by the UK Financial Conduct Authority (“FCA”), LGIM International Ltd. (“LGIMI”), a London-based adviser authorized and regulated by the UK FCA and registered with the SEC, LGIM Real Assets (Operator) Limited, an adviser authorized and regulated by the FCA and registered with the OSC (“LGIMRAO”), GO ETF Solutions, LLP, an adviser authorized and regulated by the FCA (“LGIM ETF”), Legal & General Investment Management Asia Limited (“LGIM Asia”), an adviser registered with the Hong Kong Securities and Futures Commission, and Legal & General Investment Management Japan KK, (“LGIM Japan”), an adviser regulated by the Japan Financial Services Agency. LGIM, LGIMI, LGIM Asia, LGIM Japan, LGIM RAO and LGIM ETF are subsidiaries of LGIM(H). These relationships are discussed further in Item 10.

### B. Types of Advisory Services

We provide investment management services on a fully discretionary basis to our clients. We offer these services to clients through (i) separately-managed accounts; (ii) as an adviser to private funds (as described below in sub-paragraph 6); (iii) as a sub-adviser to collective investment trusts (as described in sub-paragraph 6); (iv) as a sub-adviser to seven SEC registered investment companies; and (v) as a sub-adviser to other advisers and their institutional clients, funds, and platforms.

Our investment strategies are described below in Item 8. Our offerings are as follows.

### 1. Active fixed income strategies

Our active fixed income strategies are:

- Long Duration (“LD”) Credit
- Liability-Aware LD Credit
- Long Corporate A or Better
- Long Government/Credit
- Liability-Aware LD Government/Credit
- Intermediate Duration Credit
- U.S. Credit
- U.S. Corporate Credit
- LD U.S. Corporate Credit
- U.S. Long Government Credit
- Absolute Return
- Unconstrained Bond
- Buy and Maintain Credit
- 15+ STRIPS
- Efficient Core
- U.S. Treasury Intermediate TIPS
- High Yield (which involves a sub-advisory appointment to LGIMI for global mandates)
- U.S. Long Government
- U.S. Long Treasury
- 20+ STRIPS

### 2. Liability driven investment strategies

We offer custom solutions through liability driven investment (“LDI”) management services, which are supported by LGIM, under the terms of the Service Level Agreement (“SLA”) between LGIMA and LGIM(H). The forms of support provided by LGIM(H) are: the assistance in the audit of LDI investment programs, the development and maintenance of asset-liability risk management tools, and the management of collateral. This arrangement is discussed further in Item 10. LDI management services include custom liability benchmarking, derivatives management, Treasury management, completion management, funding ratio monitoring, and as described below in Item 10, the management of assets of pension risk transfers with our U.S. insurance affiliate, Banner Life Insurance Company (“Banner”), a Maryland insurance company that is a subsidiary of Legal & General America, Inc. (“LGA”), a Delaware Corporation whose ultimate parent is also Legal & General. Services are offered through separately-managed accounts and/or through allocation to credit strategies via investments in either the Private Funds (defined below in sub-paragraph 6) or the LDI liability-based funds or AFI funds of a collective investment trust that is also described below in sub-paragraph 6.

### 3. Multi-Asset strategies

We offer multi-asset strategies that follow an investment policy risk management through custom derivative overlays, including replication, replacement, hedging, and rebalancing, as well as custom portfolios designed for a specific outcome such as low equity beta, alternative asset replication, or broad diversification. We do this by using derivatives (exchange traded, over the counter, and centrally cleared), physical investments (including cash), or a mix thereof. The strategies are offered through separately-managed accounts (“SMAs”) and collective investment trust fund structures, as described in sub-paragraph 6 below.

### 4. Passive Index tracking strategies

We offer passive index investment strategies that track market indices designed by Standard & Poor’s, MSCI, FTSE Russell, Bloomberg Barclays, and ERI Scientific Beta. The strategies are offered through SMAs, as a sub-adviser to collective investment trusts, and as an adviser to Private Funds, as described in sub-paragraph 6 below. Global mandates of any of the foregoing are also sub-advised to our affiliate, LGIMI. LGIMI uses the services of LGIM to assist it in delivering its advisory services under the terms of a dealing services agreement between LGIMI and LGIM. These arrangements are discussed further in Item 10.

### 5. Private Credit strategies

We offer our affiliates private credit strategies across investment-grade corporate credit and infrastructure debt investments. The strategies are offered through separately-managed accounts. Global mandates of any of the foregoing are also sub-advised to our affiliate, LGIMI. LGIMI uses the services of LGIM to assist it in delivering its advisory services under the terms of a Participating Affiliate Agreement (“PAA”) and a dealing services agreement between LGIMI and LGIM. These arrangements are discussed further in Item 10. We also use the services of LGIM under a PAA between LGIMA and LGIM to advise us in the delivery of our private credit advisory services.

### 6. Adviser to Private Funds and Collective Investment Trusts

We are the manager and investment adviser of private investment funds (“Private Funds”) that are organized as Delaware limited liability companies and are exempted from being an Investment Company and regulation under Section 3(c)(7) of the Investment Company Act of 1940, as amended (the “40 Act”).

The Private Funds are:

- LGIMA Long Duration US Credit Fund, LLC
- LGIMA Long Duration US Government/Credit Fund, LLC
- LGIMA Treasury 15+ STRIPS Fund, LLC
- LGIMA US Credit Fund, LLC
- L&G Global High Yield Fund, LLC
- Legal & General MSCI Canada Fund, LLC
- Legal & General MSCI EAFE Fund, LLC
- Legal & General MSCI EAFE SL Fund, LLC
- Legal & General MSCI World Ex USA Fund, LLC
- Legal & General Russell 1000 Fund, LLC
- Legal & General Russell 2000 Fund, LLC
- Legal & General S&P 500 Fund, LLC
- Legal & General MSCI USA Fund, LLC
- Legal & General S&P 400 SL Fund, LLC
- Legal & General S&P 500 SL Fund, LLC
- Legal & General S&P 600 SL Fund, LLC
- Legal & General Scientific Beta Emerging Markets Fund, LLC
- Legal & General MSCI ACWI Ex USA Fund, LLC
- Legal & General MSCI ACWI Fund, LLC
- Legal & General MSCI World Fund, LLC
- Legal & General Emerging Markets Fund, LLC
- Legal & General Developed Ex-U.S. Multi-Factor Fund, LLC
- Legal & General U.S. Multi-Factor Fund, LLC

Any reference to the Private Funds in this brochure is for informational purposes only and not a solicitation and is merely intended to address required disclosures about our business practices and the conflicts associated with managing the Private Funds. Only qualified investors are able to invest in these funds and they should read a fund’s confidential private placement memorandum before investing. No reference within this brochure should be viewed as an offer to sell or an offer to buy an interest in the Private Funds.

We are also a sub-adviser to a collective investment trust exempted from being an “Investment Company” under Section 3(c)(11) of the 40 Act, called the Legal & General Collective Investment Trust (“CIT”) as well as other collective investment trusts. The purpose of the CIT is to provide for the collective investment and reinvestment of assets of certain tax-exempt employee benefit plans. In accordance with the CIT’s Declaration of Trust, the trustee may establish separate and distinct collective investment funds and classes of interests in such funds in the CIT. Reliance Trust Company (“Reliance”), as trustee, transfer agent, and adviser of the CIT, has appointed LGIMA as Investment Manager/sub-adviser of the CIT. Citibank, N.A.



is the CIT's custodian and securities lending agent, and Citi Fund Services Ohio, Inc. is the CIT's fund accountant and administrator. The CIT offers active fixed income funds, LDI-based funds, and passive index tracking funds. No reference within this brochure should be viewed as an offer to sell or an offer to buy an interest in the CIT.

For those clients with whom we have an Investment Management Agreement ("IMA") and are directed by the IMA to utilize one or more Private Funds or CIT funds, the client will specifically direct us to subscribe to one or more Private Funds or CIT funds on the client's behalf.

7. Sub-adviser to the adviser of SEC Registered Investment Companies and to other advisors and their institutional clients, funds, or platforms.

We serve as a sub-adviser to unaffiliated investment advisers SEI Investments Management Corporation ("SEI"), GuideStone Capital Management, LLC ("GuideStone"), and Goldman Sachs Asset Management ("GSAM"). SEI is the investment adviser to SEI Institutional Investments Trust ("Trust"), an open-end management investment company registered with the SEC under the 40 Act. The Trust is a mutual fund family that offers shares in separate registered open-end investment companies, or mutual funds. Similarly, GuideStone is the investment adviser to GuideStone Funds, a Delaware business trust, and GSAM is the investment adviser to Goldman Sachs Trust II, a Delaware statutory trust.

We provide sub-advisory services to SEI in relation to the SEI Institutional Investments Trust – Long Duration Fund, Long Duration Corporate Bond Fund, and Intermediate Duration Credit Fund. We provide sub-advisory services to GuideStone in relation to GuideStone Funds - the International Equity Index Fund, Equity Index Fund, and Value Equity Fund. We provide sub-advisory services to GSAM in relation to the Goldman Sachs Multi-Manager Global Equity Fund. The strategy, focus, fees, risks, and other information concerning each of the foregoing mutual funds ("Mutual Funds") are as described in each fund's current prospectus. We also serve as a sub-adviser to other SEC registered investment advisers and their underlying institutional clients, or funds, or platforms, through SMAs with an OCIO ("Outsourced Chief Investment Officer") platform.

#### C. Client Tailored Services and Client Imposed Restrictions

At the start of a client relationship, we and our client agree on the investment objectives, the appropriate levels of risk, and restrictions on investments. These are set forth in an IMA. Under the IMA, we assume discretionary responsibility for the day-to-day management and

investment of all securities, cash, and other investment instruments agreed upon with the client, unless the client opts for a passive index or active global credit strategy, in which case we and LGIMI will manage those client assets. Based upon the client's instructions, we define the asset mix that we determine to most likely achieve the investment objectives, we select the investments, we route orders to registered broker-dealers for execution, and we manage the client's assets and investments.

The services that we provide to the Private Funds are established in an IMA between us and each Private Fund.

The services we provide to the CIT are established in an Investment Services Agreement between LGIMA and Reliance Trust Company.

The services we provide to SEI, GuideStone and GSAM are established in an Investment Sub-Advisory Agreement between LGIMA and SEI, LGIMA and GuideStone and LGIMA and GSAM, respectively.

The sub-advisory services we provide to other investment advisers are established in an IMA with the adviser.

#### D. Participation in Wrap Fee Program

We do not participate in or offer Wrap Fee programs.

#### E. Assets Under Management

As of January 31, 2019, the most recent date for which calculations are available, we manage accounts holding the following regulatory assets under management.

Discretionary Assets:	<b>\$183,148,827,960.24</b>
Non-Discretionary Assets:	<b>\$0</b>
Total:	<b>\$183,148,827,960.24</b>

## Item 5 – Fees and Compensation

#### A. How we are compensated for Advisory Services

Fees are subject to negotiation. The negotiation of fees could result in similarly situated clients paying different fees for comparable advisory services.

We charge a fee expressed as a percentage of the total value of the assets we manage ("AUM"), generally determined at the end of each month (or quarter), as well as annual minimum fee amounts. The fees we charge vary based on the investment strategy employed and other factors. The minimum initial investment will vary depending on the client's desired investment strategy, but will generally be \$100 million or more for SMAs.

We offer reduced fees to affiliates and to certain large or strategic investors. In an effort to mitigate this conflict,

LGIMA has a Pricing Committee comprising executive directors to ensure all opportunities are fairly and competitively priced.

In instances where we sub-advise aspects of a mandate to LGIMI, the client pays us the fee and we, in turn, pay a portion of our fee to LGIMI. In instances where LGIM or LGIMI have sub-advised the management of assets to us, we will receive a portion of their fees pursuant to our sub-advisory agreement with LGIM or LGIMI.

Our basic fee structures for our offered strategies are as follows:

**The figures below represent basis points of AUM**

### **I. Active Fixed Income Strategy Fee Schedules**

#### **Credit Strategy Fee\* Schedule (minimum AUM: \$100M):**

First \$100MM	30
Next \$150MM	25
Next \$250MM	20
Thereafter (\$500MM+)	15

\*Customized/Liability Aware LD Credit, +5bps

#### **Buy & Maintain Fee Schedule:**

First \$250MM	20
Next \$250MM	17.5
Above \$500MM	15

#### **Unconstrained Bond Fee Schedule:**

First \$100MM	70
Next \$150MM	65
Next \$250MM	60
Above \$500MM	50

#### **Treasury Strips and Tips Fee Schedule:**

All asset levels	20
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Fees in the credit-based Private Funds and CIT are 30 basis points, except for the Treasury 15+ STRIPS Private Fund and CIT fund, where the fees are 17 basis points.

#### **Global High Yield Fee Schedule (minimum AUM US\$100m)**

First \$50MM	55
Next \$100MM	50
Above \$150MM	45

### **II. LDI Strategy Fee Schedule**

#### **Derivative Management Fees (minimum fee: \$100K):**

First \$100MM	12
Next \$400MM	9
Next \$500MM	7
Above \$1B	4

#### **Treasury Management Fees (minimum AUM: \$100M):**

First \$100MM	17
Next \$400MM	15
Next \$500MM	12
Above \$1b	9

#### **Completion Management Fee Schedule**

(minimum fee: \$100K):

First \$250MM	21
Next \$250MM	18
Next \$500MM	15
Thereafter	12

\*Fees on Total Plan Assets

For clients who choose the LDI CIT fund strategy, the fees range from 20 basis points to 40 basis points.

### **III. Multi-Asset Strategy Fee Schedule**

#### **Derivative Overlay Fee Schedule:**

All asset levels: 10bps on gross notional exposure.

#### **US Long Duration US Equity Fee Schedule:**

First \$100 million	25bps
Next \$150 million	20bps
Next \$250 million	19bps
All assets above \$500 million	16bps



**IV. Passive Index Tracking Strategy Fee Schedule**

For clients who choose an index tracking strategy, including market cap weighted and smart beta:

- US Equity: 1-15
- Developed ex US Equity: 2-30
- Emerging Market Equity: 4 – 45 Global Equity: 2-50
- Bloomberg Barclays Fixed Income (TIPS and STRIPS): 0.5-5

**V. Private Credit Fee Schedule**

All asset levels 30

**B. Payment of Fees**

Fees are generally payable monthly or quarterly in arrears, pursuant to the terms of the IMA.

**C. Fees and Expenses that Clients Pay**

For all SMAs, our fees are exclusive of brokerage commissions, “spreads,” transaction fees, and other related costs and expenses that are incurred by the client. Clients incur certain charges imposed by custodians, brokers, and other service providers, such as 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.

For those who pursue active credit-based or LDI strategies in a Private Fund investors are responsible for fund management fees paid to us, unless they have an IMA with LGIMA and a side letter with the Private Fund that charges management fees at the IMA level only, and are also responsible for their pro rata share of fund expenses capped at .05% per annum (or in the case of the L&G Global High Yield Fund, LLC, .06% per annum) of the total fund expenses, as described in the respective Private Fund offering documents. For those who pursue active credit-based or LDI strategies in a CIT fund, investors are responsible for fund management fees paid to us through a side letter, unless they have an IMA with LGIMA, and are also responsible for their pro rata share of fund expenses capped at .05% per annum (or in the case of the 15+ STRIPS CIT fund, .02%) of the total fund expenses, as described in the CIT fund offering documents. Trading costs attributable to the investor’s transaction activity caused by the investor’s inflows to, and outflows from, the Private Fund or a CIT fund are assessed, depending on the size of the flow, either through an anti-dilution levy charged against the investor commensurate with the

spread, or through a separate transition account. This is done to insulate other investors from investor-directed investment and disinvestment. Refer to Item 12 for further detail regarding our brokerage and trading practices.

For passively managed index strategies in a Private Fund or a CIT fund, investors are responsible for a unitary, or embedded fee (in the case of CITs only), that comprises management fees for LGIMA and fund-based fees, such as administration, transfer agency, custodial and fund accounting for the CIT’s service providers, and are further responsible for all trading costs attributable to the investor’s transactions activity caused by the investor’s inflows to, and outflows from, the Private Fund or a CIT fund to insulate other investors from investor-directed investment and disinvestment.

**D. Prepayment of Fees**

We do not require the prepayment of fees.

**E. Outside Incentives for Recommendations of Securities**

We do not accept any compensation from third parties for the sale of securities. All compensation received by us comes from our clients.

**Item 6 – Performance-Based Fees and Side-By-Side Management**

We do not have any performance-based fee arrangements with our clients. In this regard, we do not engage in side-by-side management.

**Item 7 – Types of Clients**

Our clients are affiliated and non-affiliated institutional investors, including public and private pension plans and pension funds, certain of which are subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). In addition to pension plans and funds, we provide discretionary investment management services to the Private Funds, the CIT, to other collective investment trusts, insurance companies, other employee benefit plans, Taft-Hartley plans, corporations, and trusts, as well as to the adviser of the Mutual Funds.

We also have certain relationships with OCIOs and consultants who sub-advise and recommend new client accounts to LGIMA. We have a Product Review Committee and Conflicts Committee to assess any conflicts of interest posed by such relationships.

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

For our actively managed credit and LDI strategies, our research, portfolio management activities, and investment decisions, are a joint responsibility of our Portfolio Management and Credit Research Teams.

### A. Methods of Analysis and Investment Strategy

The securities and instruments in which we invest on behalf of clients include equities, corporate bonds, preferred stock, municipal securities, sovereign debt, Treasury debt, agency debt, foreign exchange, credit derivatives, foreign exchange derivatives, interest rate derivatives, money market instruments, commercial paper, asset backed securities (“ABS”) of all types, including asset-backed commercial paper, credit card ABS, auto ABS, student loan ABS, commercial mortgage ABS, to-be-announced transactions (“TBAs”), and residential mortgage ABS (agency, non-agency, subprime, Alt-A), leveraged loans, futures contracts, options on futures, options contracts, swaps, swaptions, and other derivative instruments, certificates of deposit, and ETFs.

Portfolio construction begins with consideration of the client’s investment objectives with respect to risk and potential returns. Once this occurs and the IMA is signed, the client’s portfolio is grouped into a composite with those of other clients, if any, with similar investment objectives, guidelines, restrictions, and benchmarks. This process helps the Portfolio Management Team define the universe of acceptable securities to be considered for investment. Assets are purchased based upon and subject to the investment objectives and restrictions in the IMA (i.e., the investment guidelines) or the investment guidelines of the Private Funds or CIT. The investment guidelines stipulate the allowable types of investments and permissible ratings, concentrations and restrictions. We review the IMA and the investment guidelines to ensure that we understand what we can and cannot do. We maintain communication with clients to ensure that we process properly and timely every change to the IMA, including investment objectives and restrictions. Every decision to buy or sell is taken within the parameters of the investment objectives and restrictions.

For clients wishing to pursue an active fixed income strategy, investment decisions with respect to issuer and specific bond exposures are, as noted above, the joint responsibility of the Active Fixed Income Portfolio Management Team and the Credit Research Team. The Credit Research Team specializes in different sectors, industries, and asset classes. The analysts from the

Credit Research Team review financial results, management strategy, asset protection, covenants, collateral and relative valuations, and other factors, in formulating their recommendations. The Credit Research Team analysts and Portfolio Management Team members stay in constant communication about changes in research opinions and market dynamics. Portfolio managers regularly consult with the Credit Research Team when considering transactions.

Clients wishing to pursue an LDI strategy will deal in all instances with our Solutions Team in crafting a pension solution, which will often involve investment in one of the active fixed income strategies.

Clients wishing to pursue a multi-asset strategy will generally utilize a wide variety of asset classes or investment styles. The strategies will employ a variety of techniques and investment vehicles, including the utilization of a wide variety of derivatives (exchange traded, over the counter, and/or centrally cleared), physical investments (including cash), or a mix thereof.

For clients wishing to pursue a passive index strategy, we manage their assets, and based upon the regional scope of the mandate and utilization of affiliated advisory and execution services, assets will be sub-advised to LGIMI. Product focus is on segregated portfolios of equity index tracking investments, both non-U.S. (tracking MSCI and/or FTSE indices or similar) and U.S. domestic (tracking S&P and/or Russell indices or similar), and Scientific Beta. We, or we and LGIMI, for global strategies through a sub-advisory agreement, manage client portfolios for the strategy, and further offer bond tracking investments, to the extent that these are required. All investments are managed on a discretionary basis. Portfolio managers have the discretion to invest in shares (ordinary and preferred), depositary receipts (both American and Global), warrants, collective investment schemes, convertibles, government bonds, Eurobonds, commercial paper, certificates of deposit and exchange traded futures and options (both single stock and index). These securities are traded on those venues and with those counterparties judged to give best execution. We do not use OTC or centrally cleared derivatives to carry out these strategies, other than foreign exchange trades used for currency hedging purposes.

For affiliated clients wishing to pursue a private credit mandate, we offer an investment-grade private credit strategy including (i) corporate private placements for both public and private companies and (ii) infrastructure private placements focusing on economic infrastructure (transportation, utility, power generation, and energy sectors) and social infrastructure (government, healthcare,

and university facilities). The strategy will allow clients to increase diversification into an asset class with attractive risk-reward characteristics as a result of illiquidity premiums and strong structural protections relative to liquid, publicly traded bonds of comparable credit quality. Our strategy will utilize sound fundamental credit analyses with a focus on structural protection (including financial covenants) through legal documentation and appropriate pricing premiums. The strategy will focus on traditional private placements (Section 4(a) 2 or Regulation D exemption, Rule 144A re-sales, or institutional loans).

**"Investing in securities involves risk of loss that clients should be prepared to bear."**

#### A. Material Risks Involved

**General Investment Risks:** All investors bear certain risks when investing their money, regardless of the asset class, sector or instrument chosen. Securities or other financial instruments fluctuate in value or lose value and expose a client account to counterparty risks. While we seek to manage such risks, there can be no guarantee that we will be successful or that you will not suffer losses.

**Liquidity Risk:** Securities investments may at any given time be illiquid such that either no market exists for them or they are restricted as to their transferability under federal and state securities laws. Thus, the sale of these investments may be made at substantial discounts, delayed, or impossible. In addition, the illiquidity of a security or other instrument makes valuation of such investment difficult.

**Fixed Income Market Risk:** Fixed income securities' values generally increase or decrease based on changes in interest rates. If interest rates increase, the value of fixed income securities is highly likely to decline. On the other hand, if rates fall, the value of the fixed income securities is highly likely to increase. The longer a fixed income instrument's duration, the greater the impact a change in interest rates can have on its price.

#### B. Risks of Specific Securities Utilized

##### Fixed Income Securities in Credit and LDI Strategies:

**Call Risk, Prepayment Risk:** A callable fixed income security allows the issuer to call, or repay, the security early. Declining interest rates can accelerate the redemption of a callable security, causing an investor's principal to be returned sooner than expected. In that scenario, investors must reinvest the principal at the lower interest rates. For, particularly, mortgage-backed securities, the risk exists that declining interest rates or a

strong housing market will cause mortgage holders to refinance or otherwise repay their loans sooner than expected and thereby create an early return of principal to holders of the loans.

**Credit Risk:** Fixed income securities carry the risk of default and/or downgrades over time. If an issuer defaults, it would be unable to pay scheduled interest and principal payments. Thus, an investor who experiences a default is highly likely to experience a loss in value. Fixed income securities can also be subject to a decline in credit ratings. As these ratings are one of the bases the market uses to price risk, a decline in the credit rating often leads to a decline in the market value of the security.

**Issuer Risk:** The value of fixed income securities decline because of negative events or circumstances that directly relate to conditions at the issuer, its affiliates, or to any entity providing it credit support.

**Asset-Backed Securities:** Asset-backed securities decline in value when defaults on the underlying assets (e.g. mortgages, student loans etc.) occur and these securities exhibit increased volatility in periods of changing interest rates. When interest rates decline, the resulting prepayment of mortgages, or assets underlying such securities, result in diminished returns.

**Convertible Bonds:** Convertible bonds are subject to risk of loss due to changes in interest rates and credit quality, and are further subject to the risk that the underlying equity will lose value, affecting the price of the bond. Falling equity prices will generally exert a negative influence on convertible bond prices, while rising equity prices are a positive factor.

**High Yield Risk:** Issuers of high yield bonds are typically of a lower credit rating, which will make them more sensitive to market fluctuations and credit risk in a shorter period than those of a higher quality rating. Due to the liquidity risk of high yield bonds, a portfolio may not be able to dispose of a bond at a favorable price or prior to a default, which could impact the portfolio. Typically, these bonds are unsecured or possibly subordinated debt of a company, and therefore, a client could be at risk of losing a large portion or its entire investment in the case of a default.

**Leveraged Loan Risk:** Leveraged loans carry a higher risk of default than investment grade bonds and, as a result, they tend to pay higher interest rates. The loan market has lower trading activity than the high yield bond market which can impair the ability to realize full value if sold before maturity. The specific collateral used to secure a loan can decline in value or become illiquid, which would

adversely affect the loan's value. These instruments introduce additional risks if they do not settle delivery versus payment.

**Derivatives:** We invest on behalf of our clients in both exchange-traded and OTC derivatives (both cleared and non-cleared), including, but not limited to, futures, options, forwards, swaps, and swaptions, primarily for hedging purposes. These instruments can be highly volatile, illiquid and expose clients to a risk of loss and a risk that changes in the value of a derivative held by the strategy will not correlate with the underlying instruments of the strategies of other investments. The initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract can result in a profit or a loss which is high in proportion to the amount of funds placed as initial margin and further result in unquantifiable additional loss exceeding any margin deposited. OTC derivatives also involve counterparty solvency risk and the risk that a buyer may not be able to be found, given the lack of an exchange market. These instruments introduce additional risks if they do not settle delivery versus payment.

**Counterparty Risk:** Fixed income securities and derivative transactions involve counterparty credit risk and will expose clients to possible unanticipated losses to the extent that counterparties default or are unable or unwilling to fulfill their contractual obligations.

#### Equity Securities or Passive Index Strategies:

**Index-Related Risk:** Index strategies are passively managed in accordance with index guidelines and do not take a defensive position based on market volatility. An index portfolio has a limited ability to adjust its exposure to market disruptions, which could have an adverse effect on its exposure to the required index levels in order to track its underlying index. There is no guarantee that an index strategy will achieve a high degree of correlation to its underlying index and therefore achieve its investment objectives.

**Commodity Risk:** Investments in commodity linked derivative instruments subject the investor to greater volatility than investments in traditional securities. The value of these instruments is affected by changes in overall market movements, commodity index volatility, changes in interest rates or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Commodity prices fluctuate for myriad reasons, including

changes in market and economic conditions, the impact of weather on demand, levels of domestic production and imported commodities, energy conservation, domestic and foreign governmental regulation and taxation and the availability of local, intrastate and interstate transportation systems. Volatility of commodity prices, which can lead to a reduction in production or supply, can also negatively impact the performance of companies in natural resource industries that are solely involved in the transportation, processing, storing, distribution or marketing of commodities. Volatility of commodity prices make it more difficult for companies in natural resources industries to raise capital to the extent the market perceives that their performance may be directly or indirectly tied to commodity prices. In addition, the regulation of commodities is extensive and variable, and regulatory or political events could have an adverse effect on the performance of commodity linked investments. Furthermore, the restrictions on "insider trading" have not historically been applicable to the commodities markets. Consequently, a Fund could trade at a material disadvantage to other market participants with better market access or information sources. There is some uncertainty about whether the CFTC, pursuant to authority granted by the Dodd Frank Act, will impose restrictions similar to the "insider trading" restrictions that have historically applied to the securities markets.

**Currency Risk:** Currency risk has varying avenues of risk exposure and should be considered as part of the overall index strategy risk. Several key currency risks that should be considered include the availability or access to the underlying foreign currency, adverse actions taken by the central bank or the local government, political turmoil within the region, and exchange rate erraticism; all of which can have a negative impact on the portfolio. Portfolios purchase or sell future or forward contracts of foreign currencies to hedge the uncertainty of currency rates, to the extent permissible in the guidelines.

**Emerging Market Risk:** Investing in emerging market securities imposes increased risks over more developed markets based on several factors, which include but are not limited to, the liquidity of the securities, currency fluctuation, development of regulation and oversight, political risk, and other extraneous factors, such as health risk and regional risk due to the impact of terrorism or war. Due to these various factors, the volatility of the securities traded in these markets could fluctuate more widely than those of developed markets.

**Equity Security Risk:** Equity securities for the index strategies are traded on multiple securities exchanges and thus will be subject to fluctuations in value. These fluctuations are impacted by global or local economic



conditions, regional or local political issues, currency fluctuations, or taxation implications; all of which can impact the success of a company and their underlying stock.

**Non-U.S. Issuer Risk:** (i.e., foreign securities): Investing in non-U.S. securities subject a client to a variety of risks that are associated with foreign markets and different regulatory requirements governing those markets. Foreign security markets are more susceptible to factors that impact greater price fluctuations and include broad currency deviations, liquidity of a security or restrictions to access the market, foreign government restrictions, political unrest, and regional risk; all of which can affect the rapid and extreme changes of value on a foreign market. These instruments introduce additional risks if they do not settle delivery versus payment.

**Sanction Risk:** Investing in non-U.S. securities may inadvertently subject the client to economic sanction exposure imposed by the Office of Foreign Assets Control ("US OFAC"). We conduct proper screening prior to trading in or out of sanctioned securities to ensure compliance with US OFAC regulations. Economic sanction laws in the United States and in other jurisdictions prohibit us and the accounts we trade on behalf of, from transacting with or in certain countries and with certain individuals and companies. Such laws and regulations may make it difficult in certain circumstances for us to meet certain investment objectives.

**Securities Lending Risk:** A fund, or a share class of a fund, that engages in securities lending will be subject to the risks associated with the lending of securities, including the risks associated with defaults by the borrowers of securities subject to the securities lending program and the credit, liquidity and other risks arising out of the investment of cash collateral received from the borrowers. A fund that does have a securities lending feature is contemplated to have a Securities Lending Class and a Non-Lending Class, and as such, the risks associated with such fund's securities lending program are intended to be borne only by the investors in the Securities Lending Class. However, investment in a fund that engages in securities lending that comprises both a Securities Lending Class and a Non-Lending Class involves the risk that the benefits or liabilities of securities lending intended exclusively to be allocated to, or borne by, the Securities Lending Class could be allocated to, or borne by, the Non-Lending Class. There can be no assurance that any losses incurred by a Fund related to securities lending will be confined to the Securities Lending Class, and any such losses could negatively impact the value of the Non-Lending Class in that Fund. A securities lending agent typically receives a portion of any investment return to a

Fund attributable to the securities lending program as compensation for its securities lending service, and such compensation give rise to conflicts of interest for the agent.

**Stock Market Risk:** Equity securities that are freely traded on the open markets are subject to volatility and fluctuations in the market and will have periods of both increasing and decreasing value.

**ETF and Investment Company Risk:** To the extent a passive index strategy fund invests in shares of other investment companies, including ETFs, the fund bears both its own expenses and the expenses of the underlying investment company. ETFs are intended to provide investments results that, before expenses, generally correspond to the price and yield performance of the corresponding market index, and the value of the ETFs' shares should, under normal circumstances, closely track the value of the index's component securities. Because an ETF has operating expenses and transaction costs, while a market index does not, ETFs that track indices typically will be unable to match the performance of the index exactly. Moreover, the price movement of an ETF might not track the underlying index and thus can result in a loss or tracking error.

**Small and Mid-Cap Stock Risk:** Compared to large-cap companies, small and mid-cap companies are subject to more sudden or erratic movements in stock price than larger and more established large cap companies. These companies are also subject to adverse developments, such as management inexperience, or low trade volume.

#### Other Risks:

**Cyber Security and Technology Risks:** The use of technology is prevalent in the ordinary course of business and is, at times, outsourced to a service provider, and as a result the firm could become more susceptible to operational and other risks through breaches that could occur. In general, cyber incidents can result from deliberate attacks or unintentional events, including inadvertent disclosures, and can arise from either external or internal sources for purposes of misappropriating assets or sensitive information; corrupting data, equipment, or systems; or causing operational disruption. Although LGIMA takes protective measures and endeavors to modify its systems, software and networks as circumstances warrant, these remain vulnerable to hacking/unauthorized access, misuse, social engineering, viruses, malware, ransom ware, denial of service attacks, other malicious code and other events that could have an impact on the security of our information.

We believe we have established reasonable controls to secure our systems so they work as intended. Furthermore, we conduct reasonable due diligence on our material service providers both at the stage of initial procurement and on an ongoing basis through LGIMA's Supplier Management User Group for local service providers and LGIM's Supplier Management Committee for global service providers. Cyber incidents affecting LGIMA, or any service providers, can affect business operations; create impediments to trading transacting business which could result in financial losses, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. We have plans in place to respond to both internal and external breaches by making a financial and operational assessment, quickly recovering and resuming operations, protecting all of the firm's books and records, and allowing our clients to transact business as promptly and prudently as reasonably practicable. We seek contractual guarantees to have every service provider notify us of any security breaches or inadvertent disclosures that may affect us or the data we manage. However, there is no guarantee that such efforts will succeed, or that service providers will promptly notify us, especially when we do not directly control the systems of third party service providers, or that Clients will not be harmed as a result of cyber-attacks or similar issues.

## Item 9 – Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business or the integrity of our management.

## Item 10 – Other Financial Industry Activities and Affiliations

Our sole business is providing discretionary investment advisory services to our clients (including those who appoint us as a sub- adviser), directly or, for global index strategies and high yield strategies, with the services of LGIMI. We are not engaged in any other business activities.

### A. Registration as a Broker-Dealer or Broker-Dealer Representative

Neither we, nor any management person, are registered as a broker-dealer or as representatives of a broker-dealer.

### B. Registration as a Futures Commission Merchant, Commodity Pool Operator or a Commodity Trading Advisor

We are registered as a Commodity Trading Advisor ("CTA") and an exempt Commodity Pool Operator ("CPO") with the CFTC and are a member of the NFA. We have management and distribution personnel that are registered as Associated Persons ("APs") and Senior Officers and Directors that are registered as Principals with the CFTC.

Neither we, nor any of our management persons, are registered (or have a registration application pending) as a Futures Commission Merchant.

### C. Relationships Material to our Advisory Business and Conflicts of Interests

As noted above, we are a wholly-owned subsidiary of U.S. Holdings, which is a wholly-owned subsidiary of LGIM(H), which in turn is a wholly-owned subsidiary of Legal & General Group, plc. We are an affiliate of LGIM, LGIMI, LGIMRAO, LGIM ETF, LGIM Asia, and LGIM Japan, all of whom are "Related Persons" as this term is defined and used in Form ADV. We identify our Related Persons in our Form ADV Part 1. We have Directors who serve on the boards of these Related Persons. We have controls in place to address the conflicts of interest arising from these and the outside board appointments and business activities do not conflict with the fiduciary duty each of our Directors owes to us.

### Corporate Structure

Legal & General has two relevant subsidiaries:

- LGIM(H), which is the parent company of U.S. Holdings, which is our parent company, is also the parent of LGIM, LGIMI, LGIMRAO, LGIM ETF, LGIM Asia and LGIM Japan;
- Legal & General Overseas Operations Limited is the parent of LGA, a U.S. insurance company, which wholly owns Banner and William Penn Insurance Companies.

U.S. Holdings has two subsidiaries:

- LGIMA;
- GIA, which presently has no investment advisory services or operations



We manage certain assets of Legal & General companies ("L&G Assets") under sub-advisory investment management agreements with LGIM and LGIMI. The L&G Assets consist of assets from portfolios of the following Legal & General companies or funds:

- Legal & General Society Limited Retirement Fund
- Legal & General Assurance (Pensions Management) Limited
- Legal & General Assurance Society Limited
- Legal & General Investment Management Funds ICVC
- Legal & General SICAV
- Legal & General (Unit Trust Managers) Limited
- LGIM (Ireland) Risk Management Solutions Plc

We also manage certain portfolios of L&G Assets under direct IMAs with the following affiliates):

- Legal & General Assurance Society Limited
- Banner Life Insurance Company
- William Penn Life Insurance Company of New York ("Penn")
- First British American Reinsurance Company II (South Carolina)
- First British Bermuda Reinsurance Company II, Limited (Bermuda)
- First British Vermont Reinsurance Company Limited (Vermont)
- First British Vermont Reinsurance Company II (Vermont)
- LGIM
- First British Vermont Reinsurance Company III
- First British Bermuda Reinsurance Company III, LTD.

Activities with LGIM(H), U.S. Holdings and their subsidiaries:

The activities among us, U.S. Holdings and LGIM(H) (and any LGIM(H) subsidiary, including LGIM and LGIMI) are the following.

1. U.S. Holdings controls, but does not supervise, us. We have a Chief Executive Officer ("CEO") (i.e., Aaron Meder, who was installed in March 2017), and employ a CCO and staff to implement and enforce our compliance policies, procedures, and controls.
2. We manage L&G Assets sub-advised from both LGIM and LGIMI and manages L&G Assets under direct IMAs for certain affiliates referenced above.

3. As stated in Item 10.C, certain officers or directors of LGIM(H), U.S. Holdings, LGIM, LGIMI, LGIM Asia, LGIM Japan and GIA are officers or directors of our, including Mark Zinkula, Chairman of the LGIMA Board and CEO of LGIM. Mark Zinkula will retire as CEO of LGIM in 2019. His appointed successor is Michelle Scrimgeour.
4. Certain of our officers or directors are officers or directors of LGIM(H), U.S. Holdings, LGIM, LGIMI and GIA.
5. Other than for the Private Funds, the CIT and the Mutual Funds, an SLA between LGIMA and LGIM(H) sets forth that LGIM(H) is responsible for the pricing and valuation of client assets, the calculation of fees that LGIMA charges its clients, and collateral management; the activities of which are delegated to LGIM but overseen by us. LGIM has an asset pricing framework that sets out the policies and procedures for pricing securities and financial instruments to ensure a fair, accurate and consistent valuation. The approach uses automated feeds from multiple pricing vendors where practicable. The actual price utilized is governed by a series of hierarchies. The LGIM Asset Pricing and Valuations Committee oversees and approves pricing policies and methodologies across all asset classes. It also has the responsibility for ensuring appropriate procedures are in place to resolve pricing issues as and when they arise. The committee chair and membership are drawn from directors and senior managers within the business. LGIM's Chief Compliance Officer and Head of Operational Risk Management (or delegates) attend this committee, as do LGIM's Head of Operations and Head of Data Management.

Notwithstanding the foregoing, we have our own Valuations Committee and Risk Oversight Committee ("ROC") that collaborate with the foregoing LGIM Committee. Due to the fact that LGIM is an affiliate of LGIMA, and to address the conflicts of interest arising out of this, controls have been implemented to ensure that the pricing feeds that are used to value assets are independent from any Legal & General group company and cannot be amended or substituted (although prices can be challenged through a documented, monitored and controlled price challenge process).

6. Under the SLA, LGIM(H), through LGIM, provides us with certain administrative, IT, finance, compliance, and operational services. These include the following: administrative support (computer data processing, administration of banking, insurance and reinsurance,

HR); finance and accounting; IT; taxation, treasury, internal audit, risk, press office and planning services; compliance for Group matters (e.g. Group-wide Schedule 13D/G, Form 13F and 13H filings with the SEC) and supporting compliance by monitoring functions performed on shared systems; certain valuation and pricing services (noted above); and the processing of certain derivative transactions, including collateral management. For these services, we pay LGIM(H) a fee.

7. We have a sub-advisory IMA with LGIMI for Global High Yield, Passive Index, and Private Credit strategies, whereby we appoint LGIMI to provide discretionary advisory and trading services as authorized or directed by an underlying client of ours. Under this sub-advisory arrangement, our clients open accounts with us, not LGIMI. We are responsible for marketing, account opening, IMA negotiations with clients, client on-boarding, and client servicing. For SMAs, clients make their own custodial arrangements. We provide client facing services to those of our clients using such strategies that require use of the sub-advisory IMA, and is responsible for sales and marketing, as well as reporting to clients.

Where we provide discretionary investment services for LGIM and LGIMI clients, either LGIM or LGIMI is the contracting party in all IMAs with the underlying client and will handle the account openings. In these instances where clients and/or their portfolios are sub-advised to us, we manage the assets of clients in accordance with the sub-advisory agreement with LGIM or LGIMI. In such arrangements, trade instructions are issued by us and trading is routed by us, or by LGIMI through LGIM's central dealing desk via a dealing services agreement between LGIMI and LGIM. There are currently no clients who have been sub-advised to us by LGIMI.

8. Where we provide discretionary management services to ERISA clients pursuing passive index tracking strategies, we and LGIMI use a tripartite agreement with the client so that each investment manager will possess full discretionary authority over the client's mandate. To date, there have not been any such arrangements. Nevertheless, where an index tracking strategy requires currency hedging or trading in foreign markets, LGIMA will sub-advise to LGIMI.
9. We offer Private Credit services to our affiliates with the assistance of LGIMI under a sub-advisory agreement.

10. We offer private Credit services with the assistance of LGIMI under the PAA.

11. We manage assets for Banner and Penn, whose assets are delegated to us for investment management, which are either insurance assets, or annuity assets from a pension risk transfer of a pension plan that could have been a client of LGIMA.

#### Conflicts of Interest due to these Relationships

To address the conflicts that arise as a result of the foregoing relationship and activities, controls consisting of informational and operational barriers between us, U.S. Holdings, LGIMI, LGIM, LGIM Asia, LGIM Japan and LGIM(H) have been put into place and are monitored.

As noted above, under the terms of the PAA, the Associated Persons, as this term is defined in the PAA context, of LGIM provide us certain services regarding Private Credit strategies for us to provide to its clients.

Under the PAA:

- the Associated Persons provide Private Credit services; and
- the participating affiliate, LGIM, is subject to compliance with certain controls, including record retention, ensuring personal account trading clearance for Associated Persons and the provision of records to the SEC when and as required by the SEC pursuant to the participating affiliate no-action letters and the PAA.

All aspects of operations under the PAA are monitored to ensure that no LGIM person, other than the Associated Persons, are involved in the provision of said services, and that our client information is properly safeguarded and segregated and subject to strict controls.

Through sub-advisory agreements we have with LGIMI and LGIM, portfolio managers provide advice to one another, and in certain instances, route securities orders for execution to broker-dealers. Further, LGIMI and LGIM personnel are able to view the portfolio securities transactions and holdings of our clients. We ensure that LGIM and LGIMI have sufficient controls in place to safeguard our client information, and we collaborate with LGIM and LGIMI in the monitoring of these controls, including surveillance of personal account trading activity.

We buy and sell commercial paper for our capital account, and separately buy and sell commercial paper for its clients. On occasion, we buy or sell the same issue of commercial paper for ourselves and for clients. As noted

in Item 11.B below, we do not believe that this involves a material conflict of interest.

We will effect a cross trade between clients, if authorized in the IMA and if done in conformance with applicable law, in certain circumstances, such as when it assists with managing cash flows, to maintain appropriate compositions and weightings, to reclassify securities in instances where securities owned by one client becomes less appropriate for that client and more appropriate for another account, or when portfolio management requirements indicate that accounts will be buying and selling the same securities and the purchase and sale decisions is made independently for each account. Such transactions pose a risk that one client is favored over another. To account for this, we operates a Cross Trading Policy that only permits such trading under certain conditions and prohibits the parking of securities with a broker-dealer that favors one client over another. This provides that trading is in the best interests of the clients. Prior to such a trade, Compliance is notified and must be given a clear rationale for the trade, which it then closely monitors.

For some index tracking strategies, we are required to transact in the stock of our ultimate parent company, Legal & General Group PLC ("Legal & General"), is a publicly traded security in the U.K. that trades on the London Stock Exchange and is a constituent of the FTSE 100 Index ("L&G stock") (ticker: "LGEN.LN"). As a consequence of LGIMA's status as a subsidiary of Legal & General and given the access that certain LGIMA officers and directors have to unpublished price-sensitive information relating to Legal & General (the U.K. equivalent to nonpublic material information), We prohibit trading in L&G stock in both client and personal accounts during any period which is restricted without prior written approval of Compliance.

Other than as stated in this brochure, we do not exercise discretion or control over the assets of any other Legal & General Group company.

From time to time, a client account will buy, hold or sell a security that a Related Person of ours has, independently, caused one of its own clients to buy, hold or sell. This would arise as a result of separate and independent investment processes.

Our research, recommendations, and placing of orders are done independently from the orders placed for clients of affiliates and all Related Persons. If investments in the same security were to occur, it would be the result of independent research, recommendations and trading activity, and not through information sharing (intentional or otherwise), knowledge, or any other means.

From time to time, we participate in marketing that promotes its services with those of its affiliates to co-manage assets, or with its insurance affiliates for pension risk transfers. The foregoing activity poses conflicts between and among us, our clients, and affiliates. To ensure proper confidentiality safeguards, we do not share confidential client information with our insurance affiliates for purposes of soliciting clients. Further, we approve all marketing materials pursuant to our Advertising Policy, prior to its inclusion in any affiliate's marketing materials.

#### Activities with Clients and Third Parties

We have certain clients whose pension solution directs the use of our Private Funds or the CIT, as well as the management of assets on a separately-managed account basis, which pose conflicts between such clients and us, as well as between clients or other Private Fund or CIT investors. In these circumstances, we do not charge additional management fees to such clients at the Private Fund level for Private Fund clients or at the CIT level for CIT investors. When managing the assets of such clients, the selection of available Private Funds or CIT funds is made by the client's own independent fiduciary, while the decision of allocating assets to or from the Private Fund or between CIT funds is made by the responsible portfolio management team, taking into consideration the client's objectives and in accordance with the clients' investment guidelines. Furthermore, where a client's mandate includes multiple strategies with different fee schedules per strategy, the client will retain discretion with respect to the allocation of assets to the strategies.

With respect to our management of client funds deemed to be "ERISA plan assets," LGIMA relies upon the U.S. Department of Labor's Qualified Professional Asset Manager ("QPAM") exemption or other statutory or administrative prohibited transaction exemptions to avoid engaging in non-exempt prohibited transactions in those assets under ERISA and the Internal Revenue Code, and our services performed on behalf of such assets are designed to be compliant with or exempt from the prohibited transaction rules under ERISA.

The portfolio managers managing clients' accounts manage other client accounts, including those sub-advised by affiliates, and the Private Funds and CIT, with an identical or substantially similar investment strategy. Such management of different types of accounts with similar strategies involves conflicts of interest when two or more accounts invest in the same securities or pursue a similar strategy. These conflicts include the possibility of favorable or preferential treatment of an account or a group of accounts. Other conflicts can include those related to the allocation of investment opportunities,

particularly with respect to securities that have limited availability, such as initial public offerings, and transactions in one account that follow closely-related transactions in a different account (e.g. a purchase of securities for an account after a purchase of the same securities in another account has increased the value of the securities).

To address the forgoing conflict, we seek to ensure that all client accounts are treated fairly and equitably and managed according to the relevant IMA. Purchase and sale opportunities are allocated equitably pursuant to our Allocations Policy. In general, investment decisions for each account are made with specific reference to the client's stated investment objectives and restrictions. Different strategies and client guidelines and restrictions lead to the use of different methodologies. In particular, we aggregate certain trades generated from different trading desks (i.e., active and passive strategies), which can result in different execution prices and costs. Accordingly, we exercise investment responsibility or take other actions for some clients that differ from the advice given, or the timing and nature of actions taken, for other clients. Investment results for different accounts, including accounts that are generally managed in a similar style, could differ as a result of these considerations. Some clients might not participate in certain investments in which other clients participate or might participate to a different degree or at a different time than other clients do.

We have relationships with entities who sub-advise their client accounts to us but who also provide their own, or through one of their affiliates, third-party service to us, which we use in discharging duties under these sub-advised IMAs. In order to manage the conflict that arises from these circumstances, we maintain a Best Execution Policy and an Allocations Policy, that all accounts and trades are subject to, and we adhere to rigorous third-party oversight procedures, to ensure service is not compromised or affected by any of these relationships.

LGIMA's policies and procedures and controls are intended to address the impact of all of the foregoing and other conflicts of interest. Furthermore, the firm has established a Conflicts Committee, which is a sub-committee of the ROC, and is responsible for identifying, monitoring, and reviewing conflicts of interest as they arise to ensure that conflicts are properly eliminated, mitigated and disclosed to both LGIMA clients and potential clients.

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

### A. Code of Ethics

We administer and enforce a Code of Ethics ("Code") pursuant to Advisers Act Rule 204A-1. This includes the implementation of provisions to address ethical standards of behavior, conflicts of interest, personal account trading, gifts and entertainment, outside business activities and board appointments, private placements, initial public offerings ("IPO"), political and charitable donations, the handling of material, non-public information ("MNPI"), protecting our corporate and client confidential information, the reporting of violations of the Code, and other requirements. We treat all employees, executive directors and certain persons engaged with us (i.e., independent contractors) as "Access Persons" and "Supervised Persons," as defined and used in the Advisers Act. Certain provisions of the Code related to personal account trading pertain to Access Persons and their "Connected Persons" (family members living in their households and/or sharing beneficial ownership of securities).

We permit employees to receive or give gifts and entertainment from or to entities (including broker-dealers or clients) with whom we conduct business. The receipt or giving of gifts and entertainment (such as tickets to sporting events) pose a conflict of interest. We enforce policies and procedures that incorporate standards for the receipt and giving of such gifts and entertainment. Our Compliance Department monitors receipt and giving of gifts and entertainment for any impropriety.

Where LGIMI, through a sub-advisory agreement with us, is involved in high yield, index tracking strategies or private credit for certain clients, or where the SLA with LGIM(H) provides back office and administrative services provided by LGIM, Our Compliance Department coordinates with our London Compliance counterparts to review its monitoring and testing, and to monitor personal trading activities of those persons from LGIM and LGIMI who have access to our clients' confidential information.

All Access Persons under the Code and Associated Persons under the PAA annually acknowledge receipt of the Code and certify their compliance with it.

This is a summary of our Code. We will provide you with a copy of our Code upon request.



B. Recommendations Involving Material Financial Interests

We will, under unusual circumstances, buy or sell for a client high quality commercial paper and other short-term debt securities that we buy or sell for our own account. We believe the opportunities for this circumstance to arise are limited and, due to the generally liquid nature of the markets for commercial paper, unlikely to present a material conflict of interest with our clients. When such an occurrence arises, we document the transaction and closely monitor the situation.

C. Investing Personal Money in the Same Securities as Clients

Personal trading may only be undertaken consistent within compliance with our Code, which contains controls intended to prevent any impropriety by our personnel from investing in the same securities as clients. Among these is a prohibition on trading in fixed income securities for personal accounts. Except for fixed income securities, our personnel invest in the same equity securities as our clients, and invest in such securities directly, or as the reference entity of a derivatives contract, issued by the same issuer from whom we invest in fixed income or equity securities for clients. Our Compliance Department monitors and tests for such activity.

D. Trading Securities At/Around the Same Time as Clients' Securities

From time to time, after obtaining pre-clearance approval, employees buy or sell securities for themselves at or around the same times as that we buy or sell the same securities on behalf of clients. Our Compliance Department monitors and tests for such activity.

E. Trading Securities After Private Meetings with Issuers

Access Persons who have a private, non-public encounter with an issuer in his or her capacity is restricted from trading the otherwise allowable Reportable Security within thirty (30) business days of such encounter. Our Compliance Department monitors such activity.

**It is our express policy that no Access Person or Associated Person shall breach a fiduciary duty owed to a client, misuse confidential client information, place his or her own interests ahead of those of a client, or make personal investment decisions based on the investment decisions or orders being worked for clients.**

LGIM, which provides certain services to certain of our clients through us, pursuant to the PAA, and LGIMI, through a sub-advisory agreement with us, could recommend securities to their own clients or invest on their own clients' behalf in securities that are the subject of recommendations to or discretionary trading on behalf of our clients. See Item 10 for further information about the PAA and sub-advisory relationship, and controls intended to address conflicts of interest relating to such circumstances.

## Item 12 – Brokerage and Trading Practices

In certain circumstances, LGIMI manages the assets of our clients for high yield, index tracking and private credit strategies. In these cases, LGIMI manages the portfolios and routes orders to LGIM for execution through brokers. A discussion of how LGIMI operates is contained in its Form ADV Part 2A.

Subject to a client's investment guidelines, we trade exchange-traded futures, mandatorily cleared swaps via a swaps execution facility ("SEF"), and uncleared OTC derivative securities for client accounts for the purposes of equitizing cash, hedging risk, or gaining certain market exposures synthetically. We use Futures Commission Merchants, dealers, executing brokers, SEFs, and clearinghouses for such trades. The selection and monitoring of these counterparties follow the same procedures and criteria as done with the other counterparties described in this section below and are subject to similar monitoring reviews via our Counterparty Review Committee ("CRC"), which is a sub-committee of the ROC.

The remainder of the discussion in this Item 12 pertains to how we manage assets. For active fixed income transactions, portfolio managers are also traders. For passive index transactions, portfolio managers are distinct from traders.

A. Factors Used to Select Broker-Dealers and Counterparties

Selection:

We receive authority from our clients, pursuant to IMAs, to select broker-dealers and counterparties with whom to execute transactions. We generally are not required to provide notice to, consult with, or seek the further consent of clients prior to engaging in transactions.

We have processes and procedures to approve broker-dealers and counterparties. Requests are approved by the CIO-Fixed Income for credit counterparties and the

Head of Index or Head of Global Trading for equity counterparties and by the CCO or Head of Operations for both credit and equity counterparties, followed by due diligence which is, in part, completed by both us and LGIM. Further, a final sign off from the CCO or Head of Operations, for both credit and equity counterparties, are obtained before any trading can commence, as explained below.

We place orders with broker-dealers or counterparties that are on our approved list. Before a broker-dealer or counterparty may be used, it must have been reviewed and approved in accordance with our Broker and Counterparty Approval and Monitoring Policy. The only exceptions to this process are cases where the approval process takes longer than expected. In such instances, in order to take advantage of an investment opportunity we believe is beneficial for the client, we will execute a trade with a broker-dealer or counterparty that has been submitted for approval but has not yet been approved. This is done only with the prior approval of one of the following: CIO-Fixed Income, Head of Global Equity Trading, Head of Operations, or the CCO.

A primary consideration in assessing and selecting any broker-dealer or counterparty will be an assessment of counterparty risk and the provision of best execution. The selection of broker-dealers and counterparties is based on several factors, which include: the quality of sales coverage; the ability to generate ideas and research recommendations; capital commitment/liquidity; certainty of execution; product availability; and credit-worthiness. Rather than employing a specific formula to evaluate these criteria and submit a prospective broker-dealer or counterparty for approval, the trading desk relies on experience and general knowledge to determine whether to pursue approval. However, provided best execution is not prejudiced, the selection of a particular broker-dealer or counterparty is also influenced by other factors, including:

- liquidity concentration;
- fees charged;
- quality of research;
- level of specialist trading expertise in particular markets;
- operational infrastructure;
- compliance with applicable laws and regulations; and/or
- financial condition.

Among the factors considered in approving a firm's credit-worthiness are its profit/loss and balance sheets, credit rating, types of trades, and markets in which it deals.

#### Monitoring and Evaluation:

We monitor each broker-dealer and counterparty on an annual basis, in accordance with metrics relevant to various areas of the business impacted by use of such broker dealer or counterparty.

#### Fixed Income Trading:

For secondary market trades, sales or purchases of securities can be done independently, based on historical experience with dealers across sectors or via a Bid Wanted in Competition ("BWIC") or Offer Wanted in Competition ("OWIC"). If a trade is to be executed via a BWIC or OWIC, major market participants or institutions making markets on the security or asset class are included in the group of potential counterparties for that trade. A security or list of securities is sent to all identified institutions (per the criteria above), and after a reasonable amount of time, each party will send in a bid or offer based on what is consistent with the market for the security, such as spread to swaps, spread to Treasuries, discount margin or simply dollar price. Generally, the party with the best bid or offer level or price is then selected and the trade is executed with that party.

When trades are not affected by BWIC or OWIC, trades are executed with parties that have the best market, or are consistent market makers in the security, or are consistent with client counterparty restrictions. Market reasonability can often be assessed by examining price runs from a variety of participants and dealers or via phone, Bloomberg, TradeWeb, MarketAxess, email or other sources.

#### Derivatives Trading:

We operate in the OTC or derivatives markets that are illiquid and where prices do not move along a continuum. Achieving a desired trading outcome can be more complex than simply buying or selling at the best price. This will depend significantly on the decision taken by portfolio managers and traders on when, and with which broker-dealer or counterparty we have opened account agreements on the client's behalf.

#### Equity Trading:

When deciding how and where best to route an order for execution, we will take into consideration a range of factors including price, size and the nature of the order, transaction costs, speed and likelihood of execution, settlement efficiency, client order priority rules or any other factor deemed relevant to the execution of the order. The choice of the venue for the execution will also be dependent upon the characteristics of the financial



instrument underlying the order and the functional capabilities of the venue itself. Generally, price will merit a high relative importance in obtaining the best execution. However, in some circumstances, other execution factors might be more important than price.

We have listed below those venues on which we will most regularly seek to route orders for execution and which we believe enable us to obtain best execution consistently, bearing in mind the execution factors identified above. We reserve the right to use other execution venues where we deem appropriate in accordance with our execution policy.

- LGIM/LGIMI/us (for internal crossing opportunities)
- Broker crossing networks (for external crossing opportunities)
- Principal program trades (for equities)
- Regulated Markets – through brokers or direct market access
- Multilateral Trading Facilities (MTFs)
- Alternative Trading Facilities (ATFs)
- Systematic Internalizers (SIs)
- Market Makers and other liquidity providers (including non-EU approved counterparties performing a similar function)

Where LGIM has sub-advised to us, we will route certain FX hedging orders back to LGIM for execution with their brokers. Where we has sub-advised to LGIMI for global index tracking, high yield, and private credit strategies, LGIMI could route certain global trade orders back to us for routing for execution.

#### Best Execution:

Best execution applies to secondary market trades. New issue/IPO purchases are executed with the sponsoring institution of the new issue/IPO transaction at the offering price.

Best execution does not necessarily mean achieving the lowest possible price or transaction cost but rather to seek the most favorable terms under the circumstances. The key criterion, according to the SEC, is “whether the adviser selects the transaction that represents the best qualitative execution” for the account. It is a qualitative assessment bearing in mind factors, such as:

- price;
- costs;
- speed;
- likelihood of execution;
- likelihood of settlement;

- size of the trade;
- nature of the trade; and
- any other factor relevant to the execution of the order.

The relative importance and weighting of these factors varies trade by trade and is determined by reference to the characteristics of the order, the instrument, the execution venues on which the order can be executed, and the characteristics and categorization of the client. These are assessed by the portfolio managers for active fixed income and LDI strategies and traders for index tracking strategies in deciding how best to transmit and/or execute each order. Because of the complexity of this analysis and the complexity of each client’s trading strategy, we rely upon the judgment and skill of our portfolio managers and traders to achieve best execution on a case-by-case basis and on the processes described herein.

When considering best execution, portfolio managers and traders seek to gather price information from a variety of sources as previously described in order to judge relative value. In this process, information about inventory levels is also generally disclosed. Historical experience with counterparties is also factored in, as quotes received from counterparties are not firm obligations and counterparties might not honor quotes previously provided. Ultimately, the trade will be executed with the broker-dealer or counterparty that is most likely to maximize the benefit to our clients’ portfolios based on the factors previously outlined.

For active fixed income securities, not all secondary market transactions in corporate bonds are executed in competition because the issuer or security might be unique, the client might have certain counterparty restrictions, and/or LGIMA might exercise discretion in sourcing a trade so as not to draw undue market attention to our inquiry or to satisfy a certain client directed outcome. Revealing our intent in some circumstances can have a material negative impact on our ability to maximize value for our clients. LGIMA utilizes a compliance monitoring feature to allow for automated best execution reviews. This function flags trades transacted at prices that deviate materially from the market through evidence established from multiple pricing sources. Compliance includes the isolation of trades flagged by our cross trade testing and includes a sample of those trade tickets with those flagged to test for best execution. This screening process provides for a risk-based sampling of trades to be reviewed for best execution. A Co-Head of Fixed Income reviews the executed trades against generic quotes to ensure execution levels are broadly consistent with what the market runs indicate. Other factors considered in this

review are the size of the executed trades, the broker-dealers or counterparties with whom the trades were executed, and whether there is anything unique about the issuer or security that factored into the trading decision. After completing the review, the reviewer certifies, or has another certify, that the reviewed trades were executed in accordance with the Best Execution Policy and submits the review results to the CIO-Fixed Income for review, who then submits to Compliance. The CCO then reviews the submitted monthly results to ensure compliance with the foregoing procedures.

For equity securities which are all traded passively in our index tracking strategies, the choice of the venue for the execution will be dependent upon the characteristics of the financial instrument underlying the order and the functional capabilities of the venue itself. Generally, price will merit a high relative importance in obtaining the best execution. However, in some circumstances, other execution factors should be given more prominence. We carry out post-trade analysis to monitor the quality of execution through collaboration with our affiliate's Compliance team in London, which does the monitoring and testing of our clients' accounts that we review. Depending on the market, this can involve systematic comparisons of execution prices with respect to average prices, open/closing prices or periodic high/low prices as appropriate. Third-party vendors are utilized for transaction cost analysis. Trading costs are monitored using a three part transaction cost analysis approach. Firstly, a pre-trade estimate is calculated to determine the anticipated trading cost. This helps inform the trader and fund manager of potential contributors to risk or adverse impact. Secondly, once trading commences, real time monitoring is employed to alert of trades that are experiencing unexpected outcomes. This real time analysis provides the investment team the ability to alter trading strategies dynamically and react to the market. Lastly, the executions are archived and analyzed in order to highlight areas for potentially improvement for future trading scenarios.

#### Allocations:

When trading simultaneously for more than one client account or portfolio, we allocate trades among those accounts using pre-trade allocation, in accordance with our Allocations Policy. To minimize total transaction costs, our methods for trading in securities and currencies in order of preference, are as follows.

#### Crossing trades:

We will look for natural sources of liquidity by reviewing crossing opportunities with other accounts, to the extent permissible, both internally and by using external crossing

networks, particularly for smaller and medium size company stocks which tend to suffer from less liquidity and wider dealing spreads. Crossing is carried out at the independent current market price, where permitted by relevant laws and regulations, e.g. the Advisers Act and ERISA and in accordance with our Cross Trading Policy. Notwithstanding the foregoing, we will not "park" securities with brokers with a pre-arranged agreement to purchase such securities back from said broker for a different client.

#### Market trades:

These are executed on a negotiated commission basis, either through brokers (or equivalent local market specialists), or directly by using a "Direct Market Access" (DMA) platform. DMA transactions are by definition of an "agency" nature, while a broker-led transaction can be either an "agency" or a "principal" trade. At times, it can be judged more effective to ask for capital commitment from a broker in executing an order in which case the broker will be acting as a principal. Market conditions and characteristics of an order determine the capacity in which the broker is used in order to minimize total transaction costs, including market impact.

Furthermore, we make extensive use of electronic trading platforms. This enables us to invite bids and offers from a number of counterparties simultaneously and obtain the most competitive price, while using electronic trading platforms' full suite of controls and efficiencies.

#### FX Netting trades:

We net or aggregate foreign exchange trades where appropriate to do so. We would expect to trade the net amounts where similar trades can be joined together to minimize transaction costs.

#### FX Market orders:

Market practice is for institutional foreign exchange deals to be executed on a net basis. Competitive bids and offers are obtained from banks to secure the best price for the size of deal required.

#### Money market trades:

We monitor types of instruments; quality and exposure limit requirements, and have robust systems in place to do this.

#### Net trades:

To ensure transparency, we confine net trading to only those areas dictated by market practice, e.g. bonds, derivatives, currencies, new issues and certain trades where the counterparty acts purely as a market maker.

A1a-e. Research and Other Soft Dollar Benefits

We do not have formal “Soft Dollar” arrangements. When selecting a broker with whom to trade, we make a good faith effort in fully assessing the market to determine if the execution price is reasonable and truly at the market, based on our Best Execution Policy. If there is a broker or a counterparty where research is critical or significant in evaluating a particular security, then in recognition of the research provided, we will include the broker or counterparty in the list of competing brokers when we go to market with the bid/ask of the security. The only benefit to the broker or counterparty for providing quality research, perspective or advice, therefore, is the opportunity to be in the list of competing brokers.

In order to have continued access to research, perspective and advice regarding particular securities, we have developed or maintained relationships with brokers who have useful research or analytical expertise that is relevant to the needs our clients.

Any research, perspective or advice, received from brokers as a result of clients’ transactions, as described above, is used by us in servicing other accounts, in accordance with the Safe Harbor of Section 28(e) of the Exchange Act.

The MiFID II inducement rules became effective January 3, 2018. While MiFID II does not directly impact us, it does impact our affiliate, LGIM. LGIM has put in place appropriate controls to ensure the sharing of research between us and LGIM complies with MiFID II’s regulation. LGIM pays for all third party research out of its profit and loss account. As a global organization, we trade on execution-only rates and the cost of research is not recharged to clients. The amount we pay for research is negotiated per provider and is kept under review by our Compliance Department to ensure that any risk of being induced by the research provider is appropriately mitigated.

A2a-b. Brokerage for Client Referrals

We do not receive client referrals from broker-dealers or counterparties.

A3a-b. Client Directed Brokerage

We do not engage in client-directed brokerage.

B. Aggregating (Block) Trading for Multiple Client Accounts

We will generally execute transactions on an aggregated basis when we believe this will allow us to obtain best execution and more favorable commission rates or other

transaction costs that might otherwise have been paid had such orders been placed independently. When aggregating orders, clients will be treated in a fair and equitable manner. No account will be favored over any other client; however, a variety of factors are determinative of whether a particular client participates in a particular aggregated transaction. These factors include but are not limited to: investment objectives; guidelines and strategies; position weightings; cash availability; and risk tolerance. Because of differences identified above, there are differences in invested positions and securities held that can lead to security dispersion among client accounts.

We execute block trades with our affiliates, pursuant to sub-advisory agreements, for the same equity securities that we trade for client accounts. All block trades are pre-trade allocated pursuant to LGIMA’s Allocations Policy. However, there are instances when we do not receive a full fill of the order, either due to the size of the affiliate’s allocation, or the size of the dealer’s inventory. Under these circumstances, a pro rata allocation will be allotted to each client that will not systematically benefit one client over another, however, a client might be disadvantaged due to the size of the order by an affiliate, or due to the inventory of the broker-dealer.

Trade Errors:

Consistent with our fiduciary duties, our policy is to exercise care in making and implementing investment decisions for client accounts. Under our Trade Errors Policy, to the extent trade errors occur, we seek to ensure that our clients’ best interests are served. Our policy is to identify and resolve all trade errors as quickly as possible, while ensuring the client is not disadvantaged, consistent with the orderly disposition (and/or acquisition) of the securities in question. Actual losses suffered by a client account as a result of a trade error caused by us will be reimbursed by us. However, as a general matter, we do not compensate clients for lost investment opportunities (e.g., the failure to take advantage of investment or market improvements). All gains to the client as a consequence of a trade error are retained by the client.

**Item 13 – Review of Accounts**

A. Frequency and Nature of Periodic Reviews and Who is Responsible for Reviews

We maintain continuous review of our performance, the positions in the accounts we manage, and the consequences of risk. Our Operations and Compliance Teams and portfolio managers conduct daily reviews of the investment activities in each client account to ensure

that the assets are managed in conformity with the stated investment objectives and restrictions.

For those of our clients with global mandates whose assets are invested in passive index tracking strategies or high yield strategies that are co-managed by LGIMI, LGIMI and LGIM are involved with us in carrying out these reviews.

For those accounts whose assets are sub-advised to us by LGIM or derived from a global relationship emanating from an affiliate in London, LGIM or LGIMI, as appropriate, is involved with us in carrying out these reviews.

#### B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

We review client accounts as a result of major changes in a client's mandate, macro or microeconomic conditions, material market, economic, or political events, or at the client's request. Further, changes in regulation or laws could cause us to review client accounts. LGIMI does this with us for those clients whose assets are invested in index and high yield strategies which they also manage, and LGIM does this with us for those clients sub-advised to us, or who have a global mandate emanating from an affiliate in London, and for those clients for whom we utilize LGIM for advice under the PAA.

#### C. Content and Frequency of Regular Reports Provided to Clients

Clients receive on a monthly or quarterly basis (as stated in the IMA): (i) valuation reports, which include, among other things, the change in value of their accounts since the last reports that were provided, (ii) a list of transactions effected and related data; and (iii) performance information. Clients also receive, on a periodic basis, statements from their custodian which typically contain performance, holdings and valuation information as set forth in their custodian agreement.

Investors in Private Funds receive reports from the Private Fund Custodian, The Northern Trust Company, unless said investor also has an IMA with us, in which case the investor's reporting is per the IMA.

Clients or investors who are invested in the CIT funds will receive shareholder reports and client-specific performance reports generated by the CIT Trustee, Reliance Trust Company, from our Client Services Team on a monthly basis. Daily Net Asset Value can be sent directly to the clients' custodial bank via electronic delivery by request. Fund fact sheets are also generated by

Reliance Trust Company and distributed to clients by the Client Relationships Team on a quarterly basis.

We also provide reports to clients that are tailored to meet specific client requests.

For high yield strategies sub-advised to LGIMI, LGIMI provides reports to us for us to send to our clients regarding trading activity and holdings. In addition, reports are provided by LGIMI via us that are tailored to meet client-specific requests.

### Item 14 – Client Referrals and Other Compensation

We have not entered into any contractual arrangements or agreements with firms or individuals to solicit or have solicited clients for us. Neither we, nor our employees or affiliates, receive compensation from third parties for accounts we manage. We do, however, have agreements or arrangement in place with certain consultants or service providers for the benefit of their clients. Specifically, while we do not pay these consultants or service providers for client referrals, we do agree to a pre-arranged management fee schedule that the consultants' clients will pay to us for the management of their assets.

### Item 15 – Custody

For our clients, and in the case of the Mutual Funds and the CIT, we do not maintain custody of client assets. In our role as managing member of the Private Funds, however, we have legal access to the Private Funds' securities or funds in a manner that results in us being deemed to have "custody" of the Private Funds' assets. To address the risks posed by this arrangement:

- The assets of the Private Funds are maintained with an independent, qualified custodian;
- The Private Funds are audited by an independent accountant registered with and subject to regular inspection by the Public Company Accounting Oversight Board annually.
- Audited reports are distributed to investors in the Private Funds within 120 days of the fiscal year end.

We do not have standing letters of authorizations and visibility to client/custodial accounts which could contain language that imputes inadvertent custody on us to which we are unaware. We encourage clients to compare information in our reports to reports provided by their qualified custodians and to contact us or their independent



custodians regarding any questions about their account statements and agreements that might inadvertently impute custody on us.

## Item 16 – Investment Discretion

As discussed above, we have discretionary authority to manage the assets in a client's account subject to the investment limitations and restrictions set out in the IMA relating to that account. For those clients pursuing a high yield or an index strategy, and whose assets are sub-advised to LGIMI, we delegate discretionary investment management control to LGIMI as well.

## Item 17 – Voting Client Securities

As a fiduciary, we owe our clients a duty of care and loyalty with respect to all services undertaken on the client's behalf, including proxy voting and corporate actions elections. We act in the best interests of our clients. Our proxy voting policies and procedures are adopted to ensure compliance with Rule 206(4)-6 under the Advisers Act and ERISA requirements. They are designed and implemented in a manner reasonably expected to ensure that proxy voting is exercised in the best interests of our clients. For purposes of these policies and procedures, proxy voting includes any voting rights, consent rights or other voting authority of ours on behalf of our clients but shall not include matters which are primarily investment decisions, including tender offers, exchange offers, conversions, put options, redemptions and Dutch auctions.

Where proxy voting is delegated to LGIMA in an IMA, we will either directly, or through an independent service provider, consider all issues concerning the voting of proxies on a case-by-case basis and in the best interest of our clients, as well as other applicable facts and circumstances.

### A. Passive Equity Strategies Proxy Voting:

For passive equity index strategy client accounts invested in the CIT and Private Funds, we have engaged with our affiliate, LGIM and its independent Corporate Governance Responsible Investing team to research and engage and make proxy voting recommendations on behalf of the CIT and Private Funds. As such, we follow guidelines for voting our proxies as described in the Corporate Governance and Responsible Investment Principles ("Principles"), as appended to our Proxy Voting and Corporate Actions Policy – Equity Securities. Furthermore, we have engaged Institutional Shareholder Services ("ISS") to follow the guidelines put forth by us and execute the proxy votes in accordance with these Principles.

For the CIT and Private Funds, the Principles sets forth our approach and expectations with respect to key topics we believe are essential for an efficient corporate governance framework and for building a sustainable business model. We intend to engage with companies in connection with issues relating to the stated Principles. We consider engagement with the company in the best interest of its stakeholder. However, when a company does not engage or does not show the effort to progress the board and company to meeting our policies, we will consider voting against the recommendations.

For passive equity index strategy client accounts or Mutual Funds or other collective investment trusts sub-advised by us ("Segregated Accounts"), we engaged ISS to research, make recommendations, and vote all proxies for the Segregated Accounts.

Under certain mitigating circumstances, the benefit of not voting proxies will outweigh the benefit of voting proxies. we will maintain a list for all client accounts of the jurisdictions where they have elected to not vote.

Additionally, certain CIT and Private Funds participate in a stock lending program and we will work with the lending agent to determine whether securities should be recalled in order to exercise the proxy voting opportunity or allow the securities to remain on loan and not vote the proxies. There could be further circumstances that may impact the ability to recall the securities on loan pursuant to the stock lending program and impair our ability to vote such proxies.

### Conflicts of Interest:

We have policies and procedures designed to address the voting of proxies in the case of securities which are the subject of a conflict of interest.

We review proxies for the CIT and Private Funds that are not delegated to ISS, in accordance with our pre-determined Principles guidelines, to determine whether voting or not voting the proxy gives rise to a material conflict of interest. Should a material conflict exist with a company whose proxies are at issue, we will outsource the voting decision to an independent third party to eliminate the conflict and ensure that a client's proxies are voted in their best interest. Further, other separately-managed accounts for equity securities are delegated to ISS and are subject to ISS's policies and guidelines, therefore addressing any conflicts of interest with us.

L&G stock is held in certain index tracking portfolios. All proxies relating to Legal & General are delegated to a third party to make the recommendation and vote the proxies to address the conflicts that are present.

Disclosure:

We publicly disclose our proxy voting decisions for the CIT and the Private Funds on our website. Except to the extent required by applicable law or otherwise approved by us, we will not disclose to third parties how proxies are voted on behalf of Segregated Accounts and fixed income client accounts. However, upon request from an appropriately authorized individual, we will disclose to our clients or the entity delegating the voting authority to us for such clients (e.g., trustees or consultants retained by the client), how we voted such clients' proxies. Our Proxy Voting Policy is available upon request.

**B. Fixed Income Securities Proxy Voting:**

Recognizing that proxy voting is a rare event in the realm of fixed income investing and is typically limited to the solicitation of consent to changes in features of debt securities, our Proxy Voting and Corporate Actions – Fixed Income Securities Policy applies to any voting rights and/or consent rights for fixed income client's accounts, with respect to debt securities, including but not limited to, plans of reorganization, and waivers and consents under applicable indentures.

While we do actively monitor corporate events, in certain cases, it might not be possible, nor in the client's best interests for our clients, to take action concerning such events, due to:

- the size of a client and its positions held makes it is uneconomic and not in its best interest to vote a proxy or employ a proxy service to manage the voting of all proxies;
- trading strategies employed by clients cause positions held to be on a short-term basis and the periods of ownership might not give rise to voting rights; or
- a client's trading strategy cause it to not be in the best interest of a client to "block shares" for a certain period, as the client might want to dispose of those shares at any time.

For corporate actions, Portfolio Managers will determine on a case-by-case basis what course of action is in the best interests of the client.

In circumstances where we do vote a proxy or elect on a corporate action, we will use, pursuant to both proxy voting and corporate action policies, our discretion and judgment in deciding whether it is in the best interests of the client to vote or elect on a case-by-case basis and in the best interests of the clients, as determined by the portfolio manager.

Conflicts of Interest:

In the event a proxy voting conflict of interest arises for fixed income accounts, we disclose the circumstances of any such conflict to client(s), and in most cases, either convene an ad-hoc committee to assess and resolve the conflict, forward the proxy materials to the client to vote the proxy vote according to recommendation of an independent third-party service provider, or take such other action as is appropriate under the particular circumstances and in compliance with applicable requirements, including ERISA.

**Item 18 – Financial Information**

We do not have any adverse financial information to disclose. Our management believes that we are financially sound.