



# ARROWSTREET CAPITAL

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## Form ADV Part 2A Brochure January 8, 2024

This brochure provides information about the qualifications and business practices of Arrowstreet Capital, Limited Partnership (Arrowstreet). Arrowstreet is a registered investment adviser with the United States Securities and Exchange Commission (SEC) under the U.S. Investment Advisers Act of 1940, as amended. Registration as an investment adviser under applicable SEC rules and regulations does not imply any level of skill or training. The information in this brochure has not been approved or verified by the SEC or by any U.S. state or other securities authority.

If you have any questions about the contents of this brochure, or would like a copy of this brochure, you may contact Kimberly Kelley, Arrowstreet's Chief Compliance Officer, by telephone at 617-919-0000 or by electronic mail at [regcompliance@arrowstreetcapital.com](mailto:regcompliance@arrowstreetcapital.com). Additional information about Arrowstreet also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

We last filed our brochure with the SEC on March 30, 2023. This brochure contains the following changes and/or updates to the information set forth in our most recent brochure filing which may be considered material:

- Item 4 has been modified to update the members of our management team and to update the members of our board of directors. Item 4 has also been modified to update our assets under management as of November 30, 2023.

We may, at any time, update this brochure and send you a copy by electronic mail or in hard copy form. Clients should carefully review this brochure and address any questions to the Arrowstreet personnel identified on the cover page of this brochure.

For investors in an Arrowstreet Sponsored Fund, the information set forth in this brochure is qualified in its entirety by the offering and governing documents of the applicable fund. In the event of a conflict between the information set forth herein and the applicable offering and governing documents of the fund, shall control.

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### Attachments

Form ADV Part 2B Brochure Supplement (Items 1-6)

**This brochure provides clients and prospective clients with information about Arrowstreet Capital, Limited Partnership that should be considered before or at the time of obtaining advisory services from us. Please retain a copy of this brochure (and any updates) for your future reference.**

## Item 4 – Advisory Business

### *Firm Overview*

We are a discretionary institutional global asset manager registered as an investment adviser with the SEC under the U.S. Investment Advisers Act of 1940, as amended (referred to in this brochure as the Advisers Act). Our principal place of business is located at 200 Clarendon Street, 30th Floor, Boston, Massachusetts. We were founded in 1999.

### *Ownership Structure and Leadership*

We are organized as a Massachusetts limited partnership whose general partner is Arrowstreet Capital GP LLC (a Delaware limited liability company) and whose sole limited partner is Arrowstreet Capital Holding LLC (a Delaware limited liability company), the ultimate owner of our firm. Arrowstreet Capital Holding LLC is the sole member of, and wholly-owns, Arrowstreet Capital GP LLC. Arrowstreet Capital Holding LLC is wholly-owned and controlled by our senior management team and non-executive directors. No member of Arrowstreet Capital Holding LLC owns more than 25% of its voting membership interests.

Our management team consists of Messrs. Anthony W. Ryan, President and Chief Executive Officer, and Derek A. Vance, Chief Investment Officer.

Our board of directors consists of three executive directors; Anthony W. Ryan, Peter L. Rathjens and Derek A. Vance; and five non-executive directors, John Y. Campbell, Bruce E. Clarke, Helen Crossen, Sarah Fromson and Tuomo O. Vuolteenaho.

### *Description of Advisory Services*

We offer institutional investors a select range of equity investment strategies managed as follows:

- *Long-Only* – seek to outperform equity benchmarks with long-only portfolios.
- *Alpha Extension* – seek to outperform equity benchmarks by relaxing the short-sale constraint to specified limits, which involves economic leverage (certain of the “alpha extension” investment strategies that we offer are characterized in the institutional marketplace as “130/30”, or variations of net and gross exposure).
- *Beta Neutral* – seek to produce absolute returns and outperform short-term cash benchmarks with the ability to use more leverage and have fewer constraints than alpha extension strategies.

Our investment process utilizes quantitative methods that focus on identifying and incorporating investment signals into our proprietary return, risk and transaction cost models. Our investment approach involves creating diversified equity portfolios. We utilize a structured investment process that attempts to add value relative to a client specific benchmark. This involves identifying opportunities across companies, sectors and countries by evaluating a diverse set of fundamental and market-based predictive factors. Portfolios are constructed through the use of a mean variance optimizer utilizing proprietary expected return, risk and transaction cost forecasts.

Depending on the particular client portfolio, we transact in a variety of instruments, including global equity securities (including common stock, preferred stock, rights, warrants, exchange traded funds, closed-end funds, depository receipts, real estate investment trusts, collective investment funds and other pooled vehicles and participation notes), spot and forward foreign currency contracts, exchange traded equity index futures contracts and other derivatives. We effect transactions in derivatives pursuant to the terms customarily set forth in established legal frameworks, such as the International Swaps and Derivatives Association form (ISDA Master Agreement) and the International Foreign Exchange Master Agreement form (IFEMA) and, where applicable, negotiated agreements with futures commission merchants or other financial intermediaries.

We are a signatory to the Principles for Responsible Investment. We have a Responsible Investing Committee that meets quarterly to discuss our approach to various environmental, social and corporate governance (ESG) related issues, both in our investment process and in our reporting. Our research focuses on identifying, testing, and incorporating investment signals into our quantitative return and risk models. We incorporate what we believe to be the best investment insights into our clients’ portfolios with the objective to deliver sustainable alpha on a risk-controlled basis. Consistent with this objective, all alpha and risk signals, including those associated with ESG information, are evaluated in a systematic and rigorous manner prior to inclusion in our process. We understand that ESG considerations can impact businesses’ profitability and sustainability of earnings, in addition to the risks associated with their securities. Though our research to date has not suggested that stocks with desirable ESG scores

will systematically outperform, some of our existing expected return signals are correlated with specific ESG measures. The most conspicuous examples are our quality signals, which tend to be somewhat correlated with the “G” (Governance) component of ESG. We do believe ESG information is informative about forward-looking active risks, and therefore we include signals derived from ESG and carbon information in our risk model. Separate from these considerations related to risk-adjusted returns, when directed to do so by clients, we can also reflect client-specific responsible investment preferences in those clients’ specific portfolios. In particular, we can employ exclusionary screens, group restrictions, continuous penalties, ESG-tilted benchmarks, or a combination of these approaches to reflect client-specific responsible investment considerations. We believe that we have developed effective tools to allow for the inclusion of these additional considerations with relatively low cost to the other investment considerations. We manage a number of portfolios that use these approaches to help satisfy clients’ ESG-related objectives.

Our investment process does not take into consideration a particular client’s tax characteristics or attributes, including those that specifically apply to the portfolio of assets we manage. We do not monitor global tax laws, rules or regulations (or filing obligations) on behalf of separately managed portfolios. In addition, we do not manage or otherwise seek to process or collect tax reclaims for separately managed portfolios. Please refer to Item 8 for a discussion of tax-related risks relating to our investment strategies.

Please refer to Item 8 for a discussion of our equity investment strategies and certain material risks related to such strategies.

### ***Separately Managed Portfolios and Pooled Investment Funds***

Prospective clients may, depending on their desired investment strategy and funds available for investment, choose to have a separately managed portfolio or invest through a pooled investment fund for which we are the promoter and the investment adviser. We do not invest the assets of separately managed client portfolios in Arrowstreet Sponsored Funds; however, clients can choose to invest directly in an Arrowstreet Sponsored Fund while at the same time maintaining a separately managed portfolio. Please refer to Item 7 for a discussion of the types of institutional clients for which we serve as investment adviser.

*Separately Managed Portfolios.* A separately managed portfolio is a client specific portfolio individually managed according to one of our offered equity investment strategies. Separately managed portfolio clients grant us discretionary authority to manage and invest client assets allocated to the portfolio, subject to the clients’ stated investment objectives and investment guidelines. Each separately managed portfolio is subject to the terms of an investment management agreement or other similar agreement between us and the relevant client. While we generally do not tailor advisory services to the individual needs of our clients, clients may impose restrictions on investing in certain securities (or types of securities) or other limitations. Please refer to Item 16 for more information regarding our investment discretion over client portfolios.

*Pooled Investment Funds.* We are the investment adviser to, and promoter of, a number of pooled investment funds (the Arrowstreet Sponsored Funds). Each Arrowstreet Sponsored Fund is managed according to one of our offered investment strategies and designed to take into consideration the domicile and certain tax and/or regulatory characteristics of the likely potential investors.

A brief description of each Arrowstreet Sponsored Fund is as follows:

#### **Arrowstreet Collective Investment Trust**

A group trust under Internal Revenue Service Revenue Ruling 81-100 organized under the laws of the State of Maine and designed to permit U.S.-based defined benefit and defined contribution plans to commingle assets for investment purposes on a tax-exempt basis. This fund family has an umbrella structure with multiple investment funds, each utilizing one of our offered investment strategies.

#### **Arrowstreet U.S. Group Trust**

A group trust under Internal Revenue Service Revenue Ruling 81-100 organized under the laws of the State of New York and designed to permit U.S.-based employee benefit plans and certain governmental plans to commingle assets for investment purposes on a tax-exempt basis. This fund family has an umbrella structure with multiple investment funds, each utilizing one of our offered investment strategies.

#### **Arrowstreet Investment Trust**

A trust organized in series under the laws of the State of New Hampshire and designed to permit select, qualified investors (e.g., endowments and foundations) to commingle assets for investment purposes on a tax-transparent basis. This fund family has an umbrella structure with multiple investment funds, each utilizing one of our offered investment strategies.

Arrowstreet Canadian Pooled Funds

A unit trust formed under the laws of Manitoba and designed for Canadian investors such as pensions or charities to commingle assets for investment purposes in a separate pool and also for Canadian investors which are not pensions or charities to commingle assets for investment purposes in a separate pool. This fund family has an umbrella structure with multiple investment funds, each utilizing one of our offered investment strategies.

Arrowstreet Common Contractual Fund

A common contractual fund organized under the laws of Ireland and established as a UCITS (an undertaking for collective investment in transferable securities) pursuant to the European Communities (UCITS) Regulations, 2011, designed for non-U.S. institutional investors generally. This fund family has an umbrella structure with multiple investment funds, each utilizing one of our offered investment strategies.

Arrowstreet Capital Global Equity Long/Short Fund Limited

Arrowstreet Capital Global Equity Long/Short Fund (Feeder) Limited

Each is a Cayman Islands exempted company with limited liability. This fund has a master-feeder structure with the feeder fund designed for U.S. and non-U.S. institutional investors generally. The master fund has a global beta neutral equity strategy.

Arrowstreet Capital Brattle (US Feeder) II L.P.

A Delaware limited partnership that is a feeder fund for Arrowstreet Capital Global Equity Long/Short Fund Limited and which is designed for U.S. institutional investors.

Arrowstreet Capital ESG Global Equity Long/Short Fund Limited

Arrowstreet Capital Global Equity Long/Short Greenway Fund Limited

Each is a Cayman Islands exempted company with limited liability. This fund has a master-feeder structure with the feeder fund designed for U.S. and non-U.S. institutional investors generally. The master fund has a global beta neutral equity strategy.

Arrowstreet Capital Global Equity Alpha Extension Fund Limited

Arrowstreet Capital Global All Country Alpha Extension Fund (Cayman) Limited

Arrowstreet World Small Cap Equity Alpha Extension Fund (Cayman) Limited

Arrowstreet ACWI Alpha Extension Fund III (Cayman) Limited

Arrowstreet ACWI Alpha Extension Fund V (Cayman) Limited

Arrowstreet Capital Copley Fund Limited

Each is a Cayman Islands exempted company with limited liability, designed for U.S. institutional investors and non-U.S. institutional investors generally. Each fund has an alpha extension equity strategy which seeks to outperform an equity benchmark more efficiently than a long-only portfolio by relaxing the short-sale constraint to specified limits.

Arrowstreet Capital Global Equity Alpha Extension Fund (US Feeder) L.P.

A Delaware limited partnership that is a feeder fund for Arrowstreet Capital Global Equity Alpha Extension Fund Limited and which is designed for U.S. and non-U.S. institutional investors generally.

Arrowstreet EMK Alpha Extension Fund L.P.

A Delaware limited partnership with an equity strategy which seeks to outperform an emerging markets equity benchmark more efficiently than a long-only portfolio by relaxing the short-sale constraint to specified limits.

Arrowstreet (Delaware) Alpha Extension Fund L.P.

A Delaware limited partnership with a global equity strategy which seeks to outperform a global equity benchmark more efficiently than a long-only portfolio by relaxing the short-sale constraint to specified limits.

### Arrowstreet International Equity EAFE Alpha Extension Fund L.P.

A Delaware limited partnership with a global equity strategy which seeks to outperform a global equity benchmark more efficiently than a long-only portfolio by relaxing the short-sale constraint to specified limits.

Please refer to Items 5, 8, 10, 11, 12, 15 and 17 for more information about the Arrowstreet Sponsored Funds.

### ***Corporate Affiliates***

Our firm has an affiliated marketing entity (Arrowstreet Capital Europe Limited (ACEL)) located in the U.K. that focuses on client relationship management and marketing activities. ACEL is a private company limited by shares. ACEL engages in client relationship management and permitted marketing activities throughout Europe. ACEL is authorized and regulated in the U.K. by the Financial Conduct Authority to advise on certain investments, arrange deals in investments and make arrangements with a view to transactions in investments. Its registered office is 11 Bressenden Place, London, United Kingdom SW1E 5BY.

Our firm has an affiliated entity (Arrowstreet Capital Canada Corporation) located in Canada that focuses on IT support services to the firm.

Our firm has an affiliated management company (Arrowstreet Capital Ireland Limited (ACIL)) located in Ireland. ACIL formerly served as the UCITS management company for the Arrowstreet Common Contractual Fund and is currently in the process of being liquidated.

### ***Middle-Office Service Provider***

We engage a third party service provider to provide middle-office administrative, accounting and record keeping services, including certain reconciliation services, certain corporate action administrative and processing services, trade settlement processing and custodial communications, and portfolio performance computation services with respect to separately managed client portfolios. Periodic reports prepared for separately managed portfolios are generally based on the records of our service provider.

### ***Corporate Actions Management***

In connection with exercising investment discretion in managing voluntary corporate actions relating to securities held in client portfolios, we evaluate the facts and circumstances of each corporate action when choosing whether to elect a particular course of action (or, in some cases, to take no action at all), which may include assessing monetary or non-monetary costs against the expected portfolio benefits. Client custodians are responsible for providing timely notice to us of corporate actions via our middle-office service provider and then complying with our election instructions (if any). Corporate action notices may not always be received by us, or if received, may be received too late for us to take action.

### ***Proxy Voting Service Provider***

We engage a third party service provider to provide proxy-voting services for client portfolios (including Arrowstreet Sponsored Funds), including vote analysis, execution, reporting and certain recordkeeping services. The third party service provider's standard proxy voting policies (which we subscribe to) take into account certain ESG matters. In addition, upon client request, we can implement enhanced ESG specific voting procedures with respect to the securities held in such client's portfolio. It is the responsibility of the client custodians or other service providers to timely and effectively communicate all proxy notices to us (or our designee) and, once instructed by us or our designee, to execute such instructions accurately. In certain cases proxies may not be voted. Please refer to Item 17 for additional information regarding proxy voting, including ESG proxy voting.

### ***Shareholder Claims Monitoring; Participation in Legal Proceedings***

With respect to our separately managed portfolios, we do not monitor the occurrence or status of legal proceedings or claims affecting securities held in client portfolios. From time to time we receive notices with respect to securities held or previously held in client portfolios that become subject to legal proceedings, including class action claims or bankruptcies. It is our policy to take no action in respect of these notices, which includes not filing claims or taking any other action with respect to these legal proceedings, including filing proofs of claims and related documents. Clients or their custodians are responsible for arranging the supervision and management of all such shareholder matters.

With respect to the Arrowstreet Sponsored Funds, a third party claims processing service or the relevant fund custodian

is engaged by the applicable fund to monitor and process claims on behalf of such funds.

### ***Assets Under Management***

As of November 30, 2023, we had approximately U.S. \$173 billion in assets under management. All assets were managed on a discretionary basis.

## **Item 5 – Fees and Compensation**

### ***Advisory Fees***

Advisory fees are structured as asset-based fees or as performance-based fees/incentive allocations (which also have an asset-based fee component), depending on the client portfolio. We generally invoice advisory fees for separately managed portfolios on a quarterly basis, typically in arrears. Depending on the Arrowstreet Sponsored Fund, advisory fees may be paid directly by the investor in such fund to our firm under a separately negotiated fee agreement, or by the applicable fund to our firm in accordance with the terms of such fund's offering documents. Where advisory fees are paid directly by the investor to our firm, such fees are typically invoiced on a quarterly basis, in arrears. Where advisory fees are paid by the applicable Arrowstreet Sponsored Fund to or our firm, such fees are paid in accordance with the terms of such fund's offering document. However, certain advisory fees may be charged in advance (generally not to exceed one quarter) of investment advisory services performed if requested by the client. We do not instruct clients or their custodians, trustees, administrators or other similar service providers to deduct advisory fees from client portfolios managed by us.

While advisory fees are generally negotiable, our typical current annual advisory fees for each investment strategy, whether managed as a separately managed portfolio or with respect to an investment in an Arrowstreet Sponsored Fund, are described below.

<b>Investment Strategy*</b>	<b>Separately Managed Portfolio Advisory Fees (in USD)**</b>	<b>Arrowstreet Sponsored Fund Advisory Fees (in USD)**</b>
<i>Long-Only</i>		
EAFE	0.70% first \$250 million 0.60% thereafter	0.75% for investments up to \$75 million 0.70% for investments of \$75 - \$125 million 0.66% for investments of \$125 - \$200 million 0.60% for investments of \$200 - \$275 million 0.57% for investments of \$275 - \$375 million 0.53% for investments exceeding \$375 million
ACWI ex U.S.	0.70% first \$250 million 0.60% thereafter	0.75% for investments up to \$75 million 0.70% for investments of \$75 - \$125 million 0.66% for investments of \$125 - \$200 million 0.62% for investments of \$200 - \$275 million 0.57% for investments of \$275 - \$375 million 0.53% for investments exceeding \$375 million
ACWI	0.65% first \$250 million 0.55% thereafter	0.75% for investments up to \$75 million 0.68% for investments of \$75 - \$125 million 0.61% for investments of \$125 - \$200 million 0.57% for investments of \$200 - \$275 million 0.52% for investments of \$275 - \$375 million 0.48% for investments exceeding \$375 million



World	0.65% first \$250 million 0.55% thereafter	0.75% for investments up to \$75 million 0.67% for investments of \$75 - \$125 million 0.61% for investments of \$125 - \$200 million 0.55% for investments of \$200 - \$275 million 0.52% for investments of \$275 - \$375 million 0.48% for investments exceeding \$375 million
Global Small Cap	0.80% first \$150 million 0.70% thereafter	0.90% for investments up to \$75 million 0.82% for investments of \$75 - \$125 million 0.75% for investments of \$125 - \$200 million 0.72% for investments exceeding \$200 million
Global Low Active Risk	0.24% first \$250 million 0.22% on the next \$250 million 0.20% thereafter	Not currently offered via Arrowstreet Sponsored Fund
Global Minimum Volatility	0.65% first \$250 million 0.55% thereafter	Not currently offered via Arrowstreet Sponsored Fund
Emerging Markets	Offered via Arrowstreet Sponsored Fund	0.85% for investments up to \$75 million 0.80% for investments of \$75 - \$125 million 0.75% for investments of \$125 - \$200 million 0.70% for investments of \$200 - \$375 million 0.68% for investments exceeding \$375 million
U.S.	0.33% first \$250 million 0.30% thereafter	0.45% for investments up to \$75 million 0.40% for investments of \$75 - \$125 million 0.35% for investments exceeding \$125 million
<i>Alpha Extension</i>		
ACWI 130-30 ACWI ex U.S. 130-30 World 130-30 EAFE 130-30 Global Minimum Volatility 130-30	Offered via Arrowstreet Sponsored Fund	An annual performance fee that is typically 20% plus:  0.35% for investments up to \$100 million 0.30% for investments of \$100 - \$250 million 0.25% for investments of \$250 - \$500 million 0.20% for investments exceeding \$500 million
ACWI 140-40 World 140-40	Offered via Arrowstreet Sponsored Fund	An annual performance fee that is typically 20% plus:  0.40% for investments up to \$100 million 0.35% for investments of \$100 - \$250 million 0.30% for investments of \$250 - \$500 million 0.25% for investments exceeding \$500 million
ACWI 150-50 World 150-50	Offered via Arrowstreet Sponsored Fund	An annual performance fee that is typically 20% plus:  0.45% for investments up to \$100 million 0.40% for investments of \$100 - \$250 million 0.35% for investments \$250 - \$500 million 0.30% for investments exceeding \$500 million
EAFE 150-50	Offered via Arrowstreet Sponsored Fund	An annual performance fee that is typically 20% plus:

		0.55% for investments up to \$100 million 0.50% for investments of \$100 - \$250 million 0.45% for investments \$250 - \$500 million 0.40% for investments exceeding \$500 million
Global Small Cap 130-30	Offered via Arrowstreet Sponsored Fund	An annual performance fee that is typically 20% plus:  0.35% for investments up to \$100 million 0.30% for investments \$100 - \$250 million 0.25% for investments \$250 - \$500 million 0.22% for investments exceeding \$500 million
Emerging Markets 150/50	Offered via Arrowstreet Sponsored Fund	An annual performance fee that is typically 20% plus:  0.50% for investments up to \$100 million 0.45% for investments \$100 - \$250 million 0.40% for investments \$250 - \$500 million 0.35% for investments exceeding \$500 million
U.S. All Cap 130/30	Offered via Arrowstreet Sponsored Fund	An annual performance fee that is typically 20% plus:  0.25% for investments up to \$100 million 0.20% for investments \$100 - \$250 million 0.15% for investments \$250 - \$500 million 0.10% for investments exceeding \$500 million
U.S. Small Cap 130/30	Offered via Arrowstreet Sponsored Fund	An annual performance fee that is typically 20% plus:  0.30% for investments up to \$100 million 0.25% for investments \$100 - \$250 million 0.20% for investments \$250 - \$500 million 0.15% for investments exceeding \$500 million
U.S. 250/150	Offered via Arrowstreet Sponsored Fund	An annual performance fee that is typically 20% plus:  1.20% for investments up \$50 million 1.00% for investments \$50 - \$100 million 0.80% for investments exceeding \$100 million
<i>Beta Neutral</i>		
Global Beta Neutral	Offered via Arrowstreet Sponsored Fund	An annual performance fee that is typically 20% plus:  1.20% for investments up \$50 million 1.00% for investments \$50 - \$100 million 0.80% for investments exceeding \$100 million

\* Descriptions of our equity investment strategies and the risks related to such strategies are set forth in Item 8.

\*\* The performance fees described in this table are applicable for clients meeting the requirements of Rule 205-3

*under the Advisers Act and are typically calculated on cumulative long-term performance over an agreed upon benchmark net of certain fees and may also be subject to a high-watermark provision.*

Our investment management agreements generally allow either party to terminate the applicable portfolio upon prior written notice to the other party. The required notice period for termination varies across client agreements.

If a client portfolio terminates on a date other than the end of the specified period used to determine the market value of the portfolio for the purpose of calculating our advisory fee, such amounts payable to us will be calculated (typically prorated) in accordance with the applicable fee agreement. Similarly, in the event a portfolio is terminated where advisory fees have been paid in advance, a refund will be processed such that fees for the period are prorated in accordance with the applicable fee agreement. For billing purposes, the market value of a portfolio is typically determined using records maintained by the applicable client custodian or administrator (or in the case of Arrowstreet Sponsored Funds, the applicable fund administrator) unless we and the client agree otherwise (and in such case the records of our middle-office service provider are used).

### ***Other Fee Arrangements***

From time to time, we negotiate special fee arrangements with clients, including performance fee arrangements meeting the requirements of Rule 205-3 under the Advisers Act. Please refer to Item 6 below for additional information regarding performance fees.

Fee information regarding Arrowstreet Sponsored Funds is set forth in the offering documents of the applicable Arrowstreet Sponsored Funds. Depending on the Arrowstreet Sponsored Fund, advisory fees may be paid directly by the investor in such fund to our firm under a separately negotiated fee agreement, or by the applicable fund to our firm in accordance with the terms of such fund's offering documents. Copies of the offering documents can be obtained by select, qualified investors upon written request to us. Prospective investors are required to demonstrate their potential eligibility prior to investing in the applicable Arrowstreet Sponsored Funds.

### ***Third Party Fees and Expenses***

In addition to advisory fees paid to us, clients pay other fees, costs and expenses to third parties in connection with the management of their portfolios. Clients are generally responsible for all fees, costs and expenses external to us relating to the management of the applicable client portfolio. Such fees, costs and expenses include brokerage commissions and spreads (including spreads on foreign exchange transactions) incurred on behalf of the portfolio by us, as agent (please refer to Item 12 for more information relating to our brokerage practices). Fees, costs and expenses can also include amounts incurred directly by the clients, such as:

- custody fees;
- administrator fees;
- transaction fees and other related costs;
- transfer fees and other related transaction costs;
- clearinghouse fees; and
- taxes (including stamp, duty and transfer taxes).

In addition, client portfolios will be charged advisory fees and other expenses by third party pooled investment funds (such as exchange traded funds, mutual funds and closed-end funds) in which the client portfolio is invested. These fees and expenses are described in the disclosure documents of such pooled investment funds. Investments in these third party pooled funds are only made if allowable under the investment guidelines of the applicable portfolio or the offering documents of the applicable Arrowstreet Sponsored Fund. As noted above, we do not invest the assets of separately managed portfolios in any Arrowstreet Sponsored Fund; however, clients can choose to invest directly in an Arrowstreet Sponsored Fund while at the same time maintaining a separately managed portfolio.

Investors in the Arrowstreet Sponsored Funds will indirectly incur many of the same fees and expenses as a separately managed portfolio. Arrowstreet Sponsored Funds are also subject to certain additional fees and expenses, which include, depending on the particular fund, audit fees, legal fees, regulatory compliance fees, director fees, insurance fees, fees for management, administration, trustee, custodial, tax and related services, including external pricing, subscription and redemption fees, other third party professional fees, as well as private placement or other fees paid

to local regulators (e.g., with respect to investors from certain Canadian provinces). Please refer to the offering documents of the applicable Arrowstreet Sponsored Fund for additional information regarding fees and expenses in connection with an investment in that fund.

### ***Additional Compensation***

Neither we nor our personnel seek or accept third party compensation, including sales charges and service fees, from any person for the sale of securities or other investment products.

### ***Minimum Account Sizes***

While the minimum account size for separately managed portfolios is generally negotiable, the typical minimum account size is U.S. \$300 million for a long-only investment strategy. We typically do not offer separately managed portfolios for alpha extension or beta neutral strategies.

The minimum investment amount for each Arrowstreet Sponsored Fund is typically U.S. \$10 million, with the exception of Arrowstreet Capital Global Equity Long/Short Fund (Feeder) Limited, Arrowstreet Capital Brattle (US Feeder) II L.P. and Arrowstreet Capital Global Equity Long/Short Greenway Fund Limited, where the minimum investment amount is typically U.S. \$5 million. However, such minimum investment amount sizes are subject to waiver or otherwise subject to change in accordance with the offering documents of the applicable Arrowstreet Sponsored Funds.

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

Our advisory fees are typically calculated as a percentage of assets under management as more fully described above in Item 5. We enter into performance-based fee arrangements from time to time with qualified clients meeting the requirements of Rule 205-3 under the Advisers Act. Such arrangements are negotiated on a case-by-case basis with the particular client. While such arrangements will vary from client to client, they typically provide for a base fee based on the market value of the applicable client portfolio at specified periods, plus a performance fee based on the portfolio return over an agreed upon trailing period which may be relative to a designated benchmark or customized index return, and may also be subject to a high-watermark provision.

Performance-based fees paid to investment advisers may be higher than the asset-based fees. Accordingly, certain performance-based fee arrangements create an incentive for us to recommend portfolio investments that are riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying portfolios over other portfolios in the allocation of investment opportunities. However, our investment process and operational procedures are designed and implemented, in part, to ensure that clients are treated in a fair and equitable manner over time, including with respect to the allocation of investment opportunities.

For more information about our investment process, please refer to Item 8. For more information about other potential conflicts, please refer to Item 11.

## **Item 7 – Types of Clients**

We provide investment advisory services to a global institutional client base. Our clients consist of a broad range of institutional clients, including corporate pension plans, charitable institutions, foundations, endowments, state and municipal government entities, sovereign wealth funds, U.S. private funds and registered funds (such as U.S. registered investment companies), non-U.S. private funds and registered funds (such as UCITS), insurance companies and other U.S. and non-U.S. institutions. Please refer to Item 5 for information relating to minimum investment amounts for purposes of establishing a separately managed portfolio or for investing in an Arrowstreet Sponsored Fund.

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

### ***Investment Process and Strategies***

We offer institutional investors a select range of equity investment strategies as described below. Investing in these strategies involves a risk of loss of capital as markets can be volatile and can go down. Risks relating to our equity

investment strategies are more fully described below in this Item 8.

Our investment process utilizes quantitative methods that focus on identifying and incorporating investment signals into our proprietary return, risk and transaction cost models. Our investment approach involves creating diversified equity portfolios. We utilize a structured investment process that attempts to add value relative to a client specific benchmark. This involves identifying opportunities across companies, sectors and countries by evaluating a diverse set of fundamental and market-based predictive factors. Portfolios are constructed through the use of a mean variance optimizer utilizing proprietary expected return, risk and transaction cost forecasts.

We use the same general investment process for each of our equity strategies, varying the implementation according to client benchmark, restrictions, investment objectives and investment guidelines. We manage diversified equity portfolios. We offer the following equity investment strategies to clients through separately managed portfolios and/or the Arrowstreet Sponsored Funds:

Long-Only Strategies:

- **Global** – a core global equity strategy which seeks to outperform benchmarks such as the MSCI All Country World Investable Market Index, MSCI World Investable Market Index, or other diversified global equity indices.
- **Global Small Cap** – a core small cap global equity strategy which seeks to outperform benchmarks such as the MSCI All Country World Small Cap Index or other diversified global small cap equity indices.
- **Global Minimum Volatility** – a global equity strategy which seeks to both provide lower systematic risk than a capitalization weighted equity benchmark and also to outperform minimum volatility global equity benchmarks, such as the MSCI World Minimum Volatility Investable Market Index, MSCI All Country World Minimum Volatility Investable Market Index or another diversified minimum volatility global equity index, which are constructed with the objective of minimizing risk.
- **Emerging Markets** – a core emerging market equity strategy which seeks to outperform benchmarks such as the MSCI Emerging Market Investable Market Index or other diversified emerging market equity indices.
- **International** – a core international equity strategy which seeks to outperform benchmarks such as the MSCI All Country World ex U.S. Investable Market Index, MSCI EAFE Investable Market Index or other diversified international equity indices.
- **U.S.** – a core U.S. equity strategy which seeks to outperform broad U.S. benchmarks, such as the Russell 3000 Index.

Alpha Extension Strategies:

- **Global** – a global strategy which seeks to outperform global benchmarks such as the MSCI All Country World Investable Market Index, or MSCI World Investable Market Index more efficiently than long-only portfolios by relaxing the short-sale constraint to specified limits. This strategy may include orienting the portfolio towards stocks that score more strongly on the basis of ESG characteristics and / or carbon-emissions characteristics.
- **Global Small Cap** – a core small cap global equity strategy which seeks to outperform benchmarks such as the MSCI All Country World Small Cap Index or another diversified global small cap equity indices more efficiently than long-only portfolios by relaxing the short-sale constraint to specified limits.
- **Global Minimum Volatility** – a global equity strategy which seeks to (i) provide lower systematic risk than a capitalization weighted equity benchmark; (ii) outperform minimum volatility global equity benchmarks, such as the MSCI World Minimum Volatility Investable Market Index, MSCI All Country World Minimum Volatility Investable Market Index or another diversified minimum volatility global equity indices, and (iii) outperform global benchmarks more efficiently than long-only portfolios by relaxing the short-sale constraint to specified limits. This strategy may include orienting the portfolio towards stocks that score more strongly on the basis of ESG characteristics and / or carbon-emissions characteristics.
- **Emerging Markets** – a core emerging market equity strategy which seeks to outperform benchmarks such as the MSCI Emerging Market Investable Market Index or other diversified emerging market equity indices more efficiently than long-only portfolios by relaxing the short-sale constraint to specified limits.

- **International** – a core international equity strategy which seeks to outperform global benchmarks such as the MSCI All Country World ex U.S. Investable Index, MSC EAFE Investable Market Index or another diversified international equity indices more efficiently than long-only portfolios by relaxing the short-sale constraint to specified limits. This strategy may include orienting the portfolio towards stocks that score more strongly on the basis of ESG characteristics and / or carbon-emissions characteristics.
- **U.S.** – a core U.S. equity strategy which seeks to outperform broad U.S. benchmarks such as the Russell 2000 Index or the Russell 3000 Index more efficiently than long-only portfolios by relaxing the short-sale constraint to specified limits.

***Beta Neutral Strategy:***

- **Global Beta Neutral** – a global beta neutral equity strategy which seeks to produce absolute returns and outperform short-term cash benchmarks (e.g., FTSE 3-Month Treasury Bill Index) with the ability to use more leverage and have fewer constraints than an alpha extension strategy. This strategy may include orienting the portfolio towards stocks that score more strongly on the basis of ESG characteristics and carbon-emissions characteristics.

Depending on the particular client portfolio, we transact in a variety of instruments, including global equity securities (including common stock, preferred stock, rights, warrants, exchange traded funds, closed-end funds, depository receipts, real estate investment trusts, collective investment funds and other pooled vehicles and participation notes), spot and forward foreign currency contracts, exchange traded equity index futures contracts and other derivatives. We effect transactions in derivatives pursuant to the terms customarily set forth in established legal frameworks such as the International Swaps and Derivatives Association form (ISDA Master Agreement) and the International Foreign Exchange Master Agreement form (IFEMA) or, where applicable, negotiated agreements with futures commission merchants or other financial intermediaries.

As a global asset manager we generally implement our trading programs through regularly scheduled rebalance sessions that involve trading client portfolios across multiple time zones, and in markets with varying trade settlement cycles. As a result, the timing of implementation of such rebalance sessions and other operational considerations may cause a client's portfolio to experience short term economic leverage and/or custodial account cash overdrafts.

***There can be no assurance that the objectives associated with any strategies described above will be met. At any time, we may add strategies, remove strategies, or modify any of the strategies we employ and this includes any of the strategies discussed above.***

***Risks Related to Our Investment Strategies***

Our equity investment strategies involve the risks of investing in equities and currencies globally. In addition, our alpha extension strategies and beta neutral strategies involve the risk of shorting equities and leverage. Clients and prospective clients should be aware of, among others, the following material risks associated with our strategies.

***Risks Generally Applicable to Equity Strategies***

***Investment Risk.*** Our investment approach (which is more fully described above) involves establishing a diversified equity portfolio for each client, taking into consideration the underlying portfolio terms, including any investment guidelines provided by the client. There can be no assurance that a client's specific investment objectives will be achieved or that income or profits will be guaranteed. We make no representation that a client portfolio will be profitable or that losses will be avoided. Our past performance is not indicative of future results.

As noted above, our investment process incorporates varying client benchmark preferences, restrictions, investment objectives and investment guidelines. This can result in investment positions or actions taken for one client portfolio which differ or directly contradict those taken for another client portfolio. For example, we may cause one client portfolio to engage in short sales of or take a short position in an investment that is at that time owned or being purchased long by another client portfolio, or we may cause one client portfolio to purchase shares of preferred stock of an issuer while at the same time causing another client portfolio to purchase common stock of the same issuer. These positions and actions will sometimes adversely affect or benefit different clients at different times.

***Active Management Risk.*** We actively manage our client assets and therefore the performance of a client's portfolio will reflect, in part, our ability to make investment decisions that seek to achieve a given strategy's investment objectives. Due to the active management, a client's portfolio could underperform the target benchmark and/or

investment mandates with similar investment objectives.

*Modeling Risk.* We use proprietary quantitative models in our investment process as described previously. While we expect these models to perform as expected, deviation between model predictions and the actual events can result in either no advantage or in results opposite to those desired by us and our clients. In particular, these models draw from historical data that may not predict future returns, volatilities, correlations or market performance adequately. In addition, market conditions may be such that they are outside of the confidence level employed by the models. There can be no assurances that the models behave as expected. An error in the coding of data or formulas within the models could be magnified by the model and may be difficult to detect. While we maintain internal controls and human oversight of our investment models, no guarantee or warranty can be provided that any quantitative investment model is or will be completely free of errors. Any such errors could have a negative impact on investment results. Unexpected market turbulence or unanticipated extraneous events could also cause the actual results to fall outside of the range predicted from the models' forecasts.

*Coronavirus Outbreak Risks.* The ongoing global outbreak of the 2019 novel coronavirus (COVID-19), together with resulting voluntary and U.S. federal and state and non-U.S. governmental actions, including, without limitation, mandatory business closures, vaccine mandates, public gathering limitations, restrictions on travel and quarantines, has meaningfully disrupted the global economy and markets. The global impact of COVID-19 has been evolving over the course of the pandemic and, at different points of time has, and may continue to have, ongoing material adverse effects across many (if not all) aspects of the regional, national and global economy. The full effects, duration and costs of the COVID-19 pandemic are impossible to predict, and the circumstances surrounding the COVID-19 pandemic will continue to evolve.

*Non-diversification Risk.* Non-diversified portfolios are exposed to additional market risk. We can invest a relatively high percentage of client assets in a limited number of issuers or concentrate our investment in a particular sector or country. This will likely result in a client's portfolio with these characteristics being more susceptible to any single political, regulatory or economic occurrence and to the financial condition of individual issuers in which the portfolio invests. Any of these could have a negative effect on the performance and management of a client's portfolio. Our only responsibility with respect to diversification of a client's assets is to diversify such client's portfolio within the specific mandate for which we are appointed by such client, such as the client's investment guidelines. Moreover, we do not have any responsibility with respect to diversification across client portfolios.

*Risks of Investments in Non-U.S. Securities.* We invest in securities of non-U.S. issuers, securities traded principally in securities markets outside the U.S. and/or securities denominated in non-U.S. currencies. Such investments involve certain special risks due to non-U.S. economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of withholding taxes on dividend, interest, or other payments, imposition of financial transaction taxes, imposition of required holding periods, trade-date settlement requirements, possible difficulty in obtaining and enforcing judgments against foreign entities, generally less publicly available information about foreign companies, and generally less stringent standard of care to which local agents may be held in the local markets. Furthermore, non-U.S. issuers are subject to different, often less comprehensive, accounting, reporting, and disclosure requirements than U.S. issuers. The securities of some non-U.S. companies and non-U.S. securities markets are less liquid and at times more volatile than securities of comparable U.S. companies and U.S. securities markets. Non-U.S. brokerage commissions and other fees are also generally higher than in the United States. All of these risks and costs will be exacerbated to the extent we make investments in securities issued by companies in emerging and frontier market countries. Risks relating to investing in emerging and frontier markets are more fully discussed below.

*Changes to the European Union.* The United Kingdom (the "UK") left the European Union on January 31, 2020 (commonly referred to as "Brexit"), and uncertainty remains in certain areas as to the future relationship between the UK and the European Union. The volatility and uncertainty caused by the withdrawal may adversely affect the value of client portfolios' investments and their ability to achieve their investment objectives.

From January 1, 2021, European Union laws ceased to apply in the U.K. However, many European Union laws have been transposed into English law and these transposed laws will continue to apply until such time that they are repealed, replaced or amended. Depending on the terms of any future agreement between the European Union and the U.K. on financial services, substantial amendments to English law may occur, and it is impossible to predict the consequences on a client portfolio and its investments. Such changes could be materially detrimental to a client portfolio.

Although one cannot predict the full effect of Brexit, it could have a significant adverse impact on the U.K., European and global macroeconomic conditions and could lead to prolonged political, legal, regulatory, tax and economic uncertainty. This uncertainty is likely to continue to impact the global economic climate and may impact opportunities, pricing, availability and cost of bank financing, regulation, values or exit opportunities of companies or assets based, doing business, or having service or other significant relationships in, the U.K. or the European Union, including companies or assets held or considered for prospective investment by a client portfolio.

The future application of European Union-based legislation to the private fund industry in the U.K. and the European Union will ultimately depend on how the U.K. renegotiates the regulation of the provision of financial services within and to persons in the European Union. There can be no assurance that any renegotiated terms or regulations will not have an adverse impact on a client portfolio and its investments, including the ability of a client portfolio to achieve its investment objectives. Brexit could result in significant market dislocation, heightened counterparty risk, an adverse effect on the management of market risk and, in particular, asset and liability management due in part to redenomination of financial assets and liabilities, an adverse effect on our ability to manage, operate and invest a client portfolio and increased legal, regulatory or compliance burden on us and/or the client portfolios, each of which could have a negative impact on the operations, financial condition, returns or prospects of the client portfolios.

Areas where the uncertainty created by the U.K.'s withdrawal from the European Union is relevant include, but are not limited to, trade within Europe, foreign direct investment in Europe, the scope and functioning of European regulatory frameworks (including with respect to the regulation of alternative investment fund managers and the distribution and marketing of alternative investment funds), industrial policy pursued within European countries, immigration policy pursued within European Union countries, the regulation of the provision of financial services within and to persons in Europe and trade policy within European countries and internationally. The volatility and uncertainty caused by the withdrawal may adversely affect the value of a client portfolio's investments and our ability to achieve the investment objective of such client portfolio.

*Emerging Market Risks.* Depending on the particular client portfolio, we invest in securities, futures contracts, forward foreign currency exchange contracts and other instruments in emerging market countries. Instruments traded in emerging markets can be less liquid than instruments traded in more developed economies and markets. Moreover, certain emerging markets impose restrictions that specifically impact liquidity, such as restrictions on buying and selling within the same trading day, which could impact our ability to sell securities at a given time and therefore impact the investment strategy. In addition, a given security could be listed on multiple exchanges in one or more emerging markets, but may lack access to one or more of such exchanges and such exchanges may not have coordinated trading hours and/or banking services. Where the client portfolio has access to one such exchange in respect of a given security but not to another, the client portfolio may be subject to the risk of price fluctuations in the security during the times when the exchange to which the client portfolio has access is not trading but the other exchanges are trading.

Levels of volatility in price movements in emerging markets are often greater than those experienced in more developed economies and markets, which can impact all instruments, including securities, exchange traded futures contracts and forward foreign currency exchange contracts. In addition, reporting standards and market practices may not provide the same degree of information as would generally apply in more developed economies and markets and therefore could increase risk. In addition, an issuer in which a client portfolio invests could default on payments to its holders, which would negatively impact the client portfolio's performance.

The legal infrastructure and accounting, auditing and reporting standards in emerging markets may not provide the same degree of shareholder protection or information to investors as would generally apply in more developed markets. In particular, valuation of assets, depreciation, exchange differences, deferred taxation, contingent liabilities and consolidation could be treated differently from accounting standards in more developed economies and markets. Likewise, a client portfolio could experience tax risks around a lack of clarity or definition in respect of the payment of tax on dividends and/or capital gains income realized as a result of holding investments in an emerging market. Further, a client portfolio's ownership rights, including the right to bring claims against an issuer, could be uncertain or otherwise limited.

The value of the assets of a client portfolio could be affected by uncertainties, such as political developments, changes in government policies, taxation, currency repatriation and restrictions on foreign investment in some of the countries in which we invest. For example, certain emerging markets may limit a single foreign client portfolio's holding and/or all foreign client portfolio holdings in securities of a listed company to a given percentage of the total issued shares or



may impose capital controls on the country's currency. In such case, if the client portfolio is a holder of such a security and these aggregate foreign holding limits are exceeded, the client portfolio could need to sell shares of such security within a given timeframe in which optimal pricing may not be possible or may be unable to repatriate currency of that country. Moreover, forced sale arrangements could be imposed by a regulator or sovereign, on terms that are not under the control or influence of the client portfolio.

A risk with respect to investment in certain emerging market securities is the way in which ownership is recorded. For certain investments in such markets, the investor will receive a "share extract" that is not legally determinative of ownership. A company's share register maintains the official record of ownership of the company's shares. Issuers control these share registers, and investors have few legal rights against companies in respect of such registers. In other cases in such markets, the holding of emerging market securities by investors is not evidenced by a direct entry on the issuer's share register. Instead, the ownership of, and settlement of transactions in, those securities is on a central securities depository, and the depository (or its local sub-custodian) is a participant on such central securities depository. The central securities depository in turn is reflected as the nominee holder of the securities on the share register of the relevant issuer. While this is intended to provide a centralized and regulated system for recording of the ownership of, and settlement of transactions in, such securities, it does not eliminate all of the risks associated with the registrar system described above.

We invest in emerging markets where custodial and/or settlement systems are not fully developed. Further, the assets of a client portfolio which are traded in such markets and which have been entrusted to sub-custodians, in circumstances where the use of such sub-custodians is necessary, will be exposed to risk in circumstances whereby the applicable client custodian will have no liability. Moreover, certain emerging markets provide settlement procedures that differ materially from developed markets using delivery versus payment (DVP) trade settlement procedures. For example, some markets require pre-funding of cash and securities to brokers to accommodate trade-date settlement requirements. Some brokers have developed settlement alternatives such as pre-trade checking of a given security such that such security must be transferred out of a custodial network in anticipation of a sale and held by a broker or clearing agent before the commencement of trading. In such cases there could be safekeeping risk relating to a broker's ability to instruct cash/securities out of the applicable custody account and the consequence of having cash/securities held outside of the custody network. In addition, these markets can experience increased settlement risk as a result of settlement occurring prior to the standard trade reconciliation process.

*Frontier Markets Risks.* Depending on the particular client portfolio, we invest in securities of companies in frontier market countries. Frontier market countries often have smaller economies and/or less developed capital markets than traditional emerging market countries, and as a result the risks of investing in emerging market countries are magnified in frontier market countries. For instance, the political and economic structures in frontier market countries may be in their infancy and developing rapidly, or could experience significant upheaval, causing a high risk of instability. Trade barriers and other protectionist measures could also have significant adverse effects on the economies of frontier countries as such economies could be largely supported by international trade. Furthermore, frontier market economies may be controlled by a few sectors which could lead to related investments being concentrated into a few sectors.

The political climate in such countries may be highly unstable and include the risk of significant government changes, policy changes such as government appropriation or risks of terrorism.

Investments in frontier markets could be subject to restrictions on foreign investment, and possible repatriation of investment income and capital. In addition, foreign investors could be required to register the proceeds of sales, and future economic or political crises could lead to price controls, forced mergers, expropriation or confiscatory taxation, seizure, nationalization or the creation of government monopolies. While companies in certain frontier markets may be subject to limitations on their business relationships under that country's law, these laws may not be consistent with certain political and security concerns of the U.S. or other developed markets. Investments in such companies could subject a client portfolio to the risk that these companies' reputation and price in the market will be adversely affected.

In addition, the small size, limited trading volume and relative inexperience of the securities markets in these countries make investments in such countries less liquid and more volatile than investments in more developed countries. Investments in frontier markets can be regarded as highly speculative and even listed securities could be illiquid. Frontier markets could also have different clearance and settlement procedures, which may be unable to keep pace with the volume of securities transactions or otherwise make it difficult to engage in such transactions. Settlement

problems could cause a client portfolio to miss attractive investment opportunities, hold a portion of its assets in cash pending investment, or be delayed in disposing of a portfolio security.

Additional risks of investing in frontier markets include exposure to less developed legal systems than in more developed countries and differences in auditing and financial reporting standards, which could result in unavailability of material information about issuers. Moreover, the currencies of frontier market countries may experience significant declines against the U.S. dollar or other developed market currencies, and devaluation could occur subsequent to investments in these currencies by a client portfolio. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain frontier market countries.

*Environmental, Social and Governance Matters.* When directed to do so by clients, we employ exclusionary screens, group restrictions, continuous penalties, ESG-tilted benchmarks, or a combination of these approaches to accommodate a variety of responsible investment considerations. Implementing responsible investment considerations will result in the selection or exclusion of certain investments that might otherwise be proposed by our investment process and carries the risk that client portfolios implementing such features could underperform portfolios that do not. Responsible investment considerations may affect a client portfolio's exposure to certain companies, sectors, regions, countries or types of investments, which could negatively impact performance. Applying ESG-related factors to our investment process is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by us in incorporating such factors or any judgment exercised by us will reflect the beliefs or values of any particular investor. In addition, when implementing responsible investment considerations, we are likely to be dependent upon third party information and data that could be incomplete, inaccurate or unavailable. Moreover, ESG-related characteristics differ by region, industry and issuer and are evolving accordingly, and such characteristics or our incorporation of such characteristics into our investment process could change over time.

Further, ESG practices are evolving rapidly and there are different principles, frameworks, methodologies and tracking tools being implemented by other asset managers, and our adoption and adherence to various such principles, frameworks, methodologies and tools is expected to vary over time. There is also a growing regulatory interest across jurisdictions in improving transparency regarding the definition, measurement and disclosure of ESG factors. Our ESG investment approach could become subject to additional regulation in the future, and we cannot guarantee that our current approach will meet future regulatory requirements.

*Currency Risk.* We invest in assets that are denominated in a currency other than the applicable base currency of the client portfolio. Accordingly, the value of the assets in the client portfolio will be affected favorably or unfavorably by fluctuations in the rates of the different currencies. Depending on the particular client portfolio, we engage in currency transactions either on a spot (i.e., cash) basis at the rate prevailing in the currency exchange market, and/or by entering into forward foreign currency exchange contracts to purchase or sell currencies as agent for our client. Certain portfolios allow for enhanced currency management (referred to as an "active strategy") where the forward foreign currency exchange contracts are generally used to invest in currencies in the portfolio's benchmark and opportunistically in currencies outside the portfolio's benchmark to manage the currency exposure of the portfolio relative to the benchmark within certain bounds, which can result in net short currency exposures from time to time. For example, the currency exposure of the portfolio may be managed using forward currency exchange contracts to be within +/-15% of the benchmark currency exposures on a currency by currency basis. Other portfolios may only allow for forward foreign currency exchange contracts to be used to manage the currency exposure of the portfolio such that the portfolio is fully hedged relative to the benchmark (referred to as a "passive strategy"). In passive strategies, the offset from any unhedged equity positions lies in the U.S. dollar currency exposure. Forward foreign currency exchange contracts are performed against the U.S. dollar and are sometimes entered into in anticipation of equity trades to be executed in the near future as part of the portfolio's trading program. Currency exposures in certain markets are not hedged due to liquidity, transaction costs or other prohibitive conditions. The particular currency to which a security is exposed is determined using our proprietary models.

In entering a forward foreign currency exchange currency contract, our client is dependent upon the creditworthiness and good faith of the counterparty. Spot and forward contracts involve the risk that anticipated currency movements will not be accurately predicted, which could result in unlimited losses to our client. Using forward foreign currency exchange currency contracts does not eliminate fluctuations in the underlying prices of the securities. Forward foreign currency exchange contracts simply establish a rate of exchange that can be achieved at some future point in time. Positions in underlying securities, coupled with an unanticipated increase in the value of the relevant currency, could expose a portfolio even if fully or partially hedged relative to its benchmark to unlimited losses.

*Counterparty, Custody and Settlement Risks.* Clients will be exposed to the credit risk of parties holding client assets, such as custodians, prime brokers and futures commission merchants (as applicable) and will also bear the risk of settlement default by any such counterparty. Furthermore, counterparties to whom clients post margin (as described below under “Risks Associated with Financial Derivative Instruments”) pose a credit risk to such clients. We post margin on behalf of client portfolios using forward foreign currency exchange contracts with counterparty banks, and for client portfolios using futures contracts with clearing corporations via a future commission merchant. We undertake efforts to diversify counterparties and other intermediaries; however, certain concentration risk can exist, particularly during stressed market conditions.

In addition, market practices in relation to the settlement of transactions and the custody of assets could result in increased risks. Please also note, in particular, the risks around settlement that could be present in emerging markets and/or frontier markets. For additional information, please see “Emerging Market Risks” and “Frontier Market Risks” above.

*Substantial Redemptions Risk.* If there are substantial redemptions by a client with respect to a portfolio within a limited period of time, it could be difficult for us to provide sufficient funds to meet such redemption requests without liquidating positions prematurely at an inappropriate time or on unfavorable terms.

*Tax Risks.* Our investment process and client portfolio management procedures do not consider the tax attributes or characteristics of our clients or of the underlying portfolio of assets in the clients’ portfolios. For example, a client portfolio generally will be managed without regard to any state, federal or provincial tax implications to clients, including withholding tax, capital gains taxes, cross-border taxes, transfer, stamp or other duty taxes. Clients should consult their own tax advisers to understand the tax consequences of establishing a client portfolio with us.

Further, the Internal Revenue Service (“IRS”) has recently announced an intention to examine certain practices of hedge fund and private equity managers to ensure proper reporting of federal taxes. While we do not currently expect that we would be a specific target of audit or examination, the IRS’s increased attention to practices of hedge fund and private equity fund managers increase the risk of audit.

*Risks Associated with Investment in Exchange Traded Funds (ETFs) and Other Collective Investment Schemes and Pooled Investment Funds.* Depending on the particular client portfolio, we invest client portfolios in one or more third party collective investment schemes or other pooled funds, including exchange traded funds (ETFs). The level of protection such collective investment scheme provides will vary by jurisdiction. In addition, the underlying collective investment vehicle could impose a restriction on the withdrawal of its shares in circumstances where the withdrawal requests it receives exceed a certain threshold or percentage of its shares in issue on a particular date. The imposition of such a restriction by the underlying collective investment vehicle will also affect a client portfolio’s ability to realize its investment in that scheme in a timely manner.

As a shareholder of a collective investment scheme or pooled fund, a client portfolio will bear its pro rata portion of the expenses of such collective investment scheme or vehicle, including management and/or other fees. These fees will be in addition to the advisory fees paid to us and other fees and expenses which the client portfolio bears directly in its portfolio. Such costs can be significant and can be difficult to define precisely. For example, while the relevant annual management charges may be stipulated, other charges may be less visible.

Certain collective investment schemes and pooled funds, including ETFs, use a “passive” investment strategy designed to match an index and do not take defensive positions in volatile or declining markets (and typically won’t increase exposure to positions that it anticipates increasing in value, either). In addition to the risk of such investment being exposed to the movements of the index, such investments also are at risk when the investment does not match the performance of the index, a situation known as tracking error. Other collective investment schemes and pooled funds that we invest in are actively managed (i.e. they do not track a particular benchmark), which indirectly subject the relevant client portfolio to active management risk.

In addition, although a collective investment scheme or pooled fund, including an ETF, may be denominated in a particular currency, underlying investments may be held in other currencies and thus the investment could be subject to additional currency risk beyond that which would be present if the underlying investments were held directly.

*Risks Associated with Restricted and Illiquid Securities.* We may hold securities that are, or could in the future become, restricted or illiquid for a variety of reasons, such as bankruptcy, exchange delisting and/or the implementation of global regulatory sanctions. We may also receive illiquid securities in connection with corporate action events. Securities that are thinly traded or whose resale is restricted for any reason can be difficult or impossible

to sell at a desired time and price. Some of these securities can be new and complex and traded only among institutions. In some cases, the markets for these securities are still developing and sometimes do not function as efficiently as established markets.

In addition, a portfolio's holdings in securities or other instruments for which the relevant market is or becomes less liquid are more susceptible to loss of value. Less liquid instruments also could fall more in price than other instruments during periods when markets decline generally.

*Risks Associated with Financial Derivative Instruments.* Financial derivative instruments involve risks different from, and in certain cases greater than, the risks presented by more traditional investments. Depending on the particular client portfolio, we enter transactions in over-the-counter (OTC) markets that expose a client portfolio to the credit of its counterparties and their ability to satisfy the terms of such contracts. Where a particular client portfolio employs derivative contracts, such portfolio will be exposed to the risk that the counterparty defaults on its obligations to perform under the relevant contract. In the event of a bankruptcy or insolvency of a counterparty, the client portfolio could experience delays in liquidating the position and could incur significant losses. There is also a possibility that ongoing derivative transactions will be terminated unexpectedly as a result of events outside of our or our client's control, for instance, bankruptcy, supervening illegality or a change in the tax or accounting laws relative to those transactions at the time the agreement was originated. In accordance with standard industry practice and where agreed with the applicable counterparty, a portfolio will typically net exposures on a counterparty by counterparty basis.

Through comprehensive global regulatory regimes impacting derivatives (e.g., the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the European Market Infrastructure Regulation (EMIR), and the European Union Markets in Financial Instruments Regulation (MIFIR) / European Union Markets in Financial Instruments Directive (MIFID II)), certain over-the-counter derivatives transactions in which a client portfolio may engage are either now or will soon be subject to various requirements, such as mandatory central clearing of transactions, additional margin requirements, and in certain cases trading on electronic platforms, pre-and post-trade transparency reporting requirements and mandatory bi-lateral exchange of initial and variation margin for non-cleared swaps. The Dodd-Frank Act also created new categories of regulated market participants, such as "swap dealers," "security-based swap dealers," "major swap participants," and "major security-based swap participants" who are subject to significant new capital, registration, recordkeeping, reporting, disclosure, business conduct and other regulatory requirements. The European Union and some other jurisdictions have implemented or are in the process of implementing similar requirements. Even if a client portfolio itself is not located in a particular jurisdiction or directly subject to the jurisdiction's derivatives regulations, such client portfolio could still be impacted to the extent such client portfolio enters into a derivatives transaction with a regulated market participant or counterparty that is organized in that jurisdiction or otherwise subject to that jurisdiction's derivatives regulations. Even now the overall impact of the Dodd-Frank Act remains highly uncertain and it is unclear how the OTC derivatives markets will adapt to this regulatory regime, along with additional, sometimes overlapping, regulatory requirements imposed by non-U.S. regulators.

New regulatory requirements could also limit the ability of a client portfolio to protect its interests in the event of an insolvency of a derivatives counterparty. In the event of a counterparty's (or its affiliate's) insolvency, a client portfolio's ability to exercise remedies, such as the termination of transactions, netting of obligations and realization on collateral, could be stayed or eliminated under new special resolution regimes adopted in the United States, the European Union and various other jurisdictions. Such regimes provide government authorities with broad authority to intervene when a financial institution is experiencing financial difficulty. In particular, with respect to counterparties who are subject to such proceedings in the European Union, the liabilities of such counterparties to a client portfolio could be reduced, eliminated, or converted to equity in such counterparties (sometimes referred to as a "bail in").

Regulatory measures may reduce the availability of some types of derivative instruments, may increase the cost of trading in or maintaining derivative instruments or positions or may cause uncertainty in and/or fragmentation of the markets for a variety of derivative instruments. In particular, margin requirements, position limits and significantly higher capital charges resulting from global capital regulations, even if not directly applicable to a client portfolio, may cause an increase in the pricing of derivatives transactions entered into by market participants to whom such requirements apply or affect the overall ability of a client portfolio to enter into derivatives transactions with certain counterparties. Such global capital regulations and the need to satisfy the various requirements by counterparties are resulting in increased funding costs, increased overall transaction costs, and significantly affecting balance sheets, thereby resulting in changes to financing terms and potentially impacting a client portfolio's ability to obtain financing.

In addition, changes to derivatives regulations could impact the tax and/or accounting treatment of certain derivatives, which could adversely impact a client portfolio.

Since many financial derivative instruments have a leverage component, adverse changes in the value or level of the underlying asset, rate or index can result in a loss substantially greater than the amount invested in the derivative itself. Certain financial derivative instruments have the potential for unlimited loss regardless of the size of the initial investment. If there is a default by the other party to any such transaction, there will be contractual remedies; however, exercising such contractual rights could involve delays or costs which could result in the value of the total assets of the related portfolio being less than if the transaction had not been effected. The swap market has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilizing standardized swap documentation. There can be no assurance, however, that a liquid market will exist at any specified time for any particular swap. Derivatives do not always perfectly or even highly correlate or track the value of the securities, rates or indices they are designed to track. Consequently, our use of derivative techniques for a particular client portfolio is not always an effective means of, and sometimes could be counter-productive to, the client's investment objective. An adverse price movement in a derivative position could require cash payments of variation margin by the particular client portfolio that might in turn require, if there is insufficient cash available in the portfolio, the sale of the client portfolio's investments under disadvantageous conditions. Also, there are legal risks involved in using financial derivative instruments which could result in loss due to the unexpected application of a law or regulation or because contracts are not legally enforceable or documented correctly.

Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives. Many derivatives, in particular OTC derivatives, are complex and often valued subjectively. Improper valuations can result in increased cash payment requirements to counterparties or a loss of value to a portfolio.

*Risks Associated with Futures and Forwards.* Depending on the particular client portfolio, we will from time to time utilize exchange-traded futures contracts or over-the-counter forward foreign currency contracts. These instruments are highly volatile, involve certain special risks and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a futures position permit a high degree of leverage. As a result, a relatively small movement in the price of a futures contract could result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further losses exceeding any margin deposited. Further, when used for hedging purposes there may be an imperfect correlation between these instruments and the investments or market sectors being hedged. Transactions in over-the counter derivatives involve additional risk as there is no exchange or market on which to close out an open position. It may be impossible to liquidate an existing position, to assess or value a position or to assess the exposure to risk.

*Risks Associated with Participation Notes and Other Equity-Linked Instruments.* Depending on the particular client portfolio, we will from time to time use participation notes (including other equity-linked notes and instruments) to gain exposure to issuers in certain markets, including frontier markets. Participation notes and other equity-linked notes and instruments may be traded over-the-counter and typically constitute general unsecured contractual obligations of the banks or broker dealers that issue them. The process often involves a bank or broker-dealer buying securities listed on a non-U.S. exchange and then issuing a participation note linked to the performance of those securities. The performance results of participation notes will not exactly replicate the performance of the securities that the notes seek to replicate due to transaction costs and other expenses (although the return on a participation note that is linked to a particular security generally is increased to the extent of any dividends paid in connection with the security).

Participation notes present similar risks to investing directly in the underlying security; however, participation notes also entail many of the risks of over-the-counter derivatives, including the risk that the counterparty or issuer of the participation note may not be able to fulfill its contractual obligations and the potential for delays in liquidating the position in circumstances involving the bankruptcy or insolvency of a counterparty, which may result in a portfolio incurring significant losses as a result. The risk that a client portfolio loses its investments due to the insolvency of a counterparty may be amplified to the extent that a client portfolio purchases participation notes issued by as few as one issuer.

In addition, the holder of a participation note typically does not receive voting rights in the underlying/linked security. Moreover, there is no guarantee that a liquid market will exist generally for a participation note or that the issuer or counterparty of the participation note will be willing to repurchase such instrument when a client portfolio wishes to sell it. For more information, please see "Risks Associated with Financial Derivative Instruments" above.

*Risks Associated with Depositary Receipts.* To the extent consistent with a client's investment objective, we will purchase sponsored or unsponsored American Depositary Receipts, European Depositary Receipts and Global Depositary Receipts (collectively Depositary Receipts) typically issued by a bank or trust company which evidence ownership of underlying securities issued by a corporation. Generally, Depositary Receipts in registered form are designed for use in the U.S. securities market and Depositary Receipts in bearer form are designed for use in securities markets outside the U.S. Depositary Receipts may not necessarily be denominated in the same currency as the underlying securities into which they may be converted. Depositary Receipts may be issued pursuant to sponsored or unsponsored programs. In sponsored programs, an issuer has made arrangements to have its securities trade in the form of Depositary Receipts. In unsponsored programs, the issuer may not be directly involved in the creation of the program. Although regulatory requirements with respect to sponsored and unsponsored programs are generally similar, in some cases it may be easier to obtain financial information from an issuer that has participated in the creation of a sponsored program. Accordingly, there may be less information available regarding issuers of securities' underlying unsponsored programs and there may not be a correlation between such information and the market value of the Depositary Receipts. Depositary Receipts involve risks similar to the risks associated with investments in securities of non-U.S. issuers, which are described in "Risks of Investments in Non-U.S. Securities" above. In addition, holders of Depositary Receipts may have limited voting rights, may not have the same rights afforded to stockholders of a typical U.S. company in the event of a corporate action, such as an acquisition, merger or rights offering, and may experience difficulty in receiving stockholder communications. There is no guarantee that a financial institution will continue to sponsor a Depositary Receipt, or that a Depositary Receipt will continue to trade on an exchange.

*Risks Associated with Other Instruments and Future Developments.* Depending on the particular client portfolio, we may take advantage of opportunities with respect to "synthetic" or derivative instruments which are not presently contemplated or which are currently not available, but which may be developed to the extent such opportunities are both consistent with a client's investment objective and legally permissible. Special risks could apply to such investments in the future.

*Risks Associated with Disrupted and Highly Volatile Markets.* The prices of derivative instruments are highly volatile. Price movements of forward contracts, futures contracts and other derivative contracts in which a client portfolio is invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those markets in currencies and interest rate related futures and options. Such intervention often is intended to directly influence prices and could, together with other factors, cause those markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

The success of investment activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the portfolio investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors could affect, among other things, the level and volatility of securities' prices, the liquidity of investments in client portfolios and the availability of certain securities and investments. Volatility or illiquidity could impair client portfolio profitability or result in losses.

Client portfolios may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving.

*Inflation.* Inflation is a sustained rise in overall price levels. Moderate inflation is associated with economic growth, while high inflation can signal an overheated economy. Inflation risk is the risk that the value of assets or income from investments will be less in the future as inflation decreases the value of money (i.e., as inflation increases, the real values of client portfolios can decline). Inflation may pose a risk to investors because it can reduce savings and investment returns. Inflation and rapid fluctuations in inflation rates have had in the past, and may in the future have, negative effects on economies and financial markets, particularly in emerging economies. Furthermore, wages, prices of inputs and borrowing costs increase during periods of inflation, which can negatively impact returns on investments. Governmental efforts to curb inflation often have negative effects on the level of economic activity. Central banks, such as the U.S. Federal Reserve, generally attempt to control inflation by regulating the pace of economic activity.

They typically attempt to affect economic activity by raising and lowering short-term interest rates. At times, governments may attempt to manage inflation through fiscal policy, such as by raising taxes or reducing spending, thereby reducing economic activity; conversely, governments can attempt to combat deflation with tax cuts and increased spending designed to stimulate economic activity. Inflation rates can change frequently and significantly as a result of various factors, including unexpected shifts in the domestic or global economy and changes in economic policies, and a client's investments may not keep pace with inflation, which may result in losses to the client portfolio. Further, certain countries, including the U.S., have recently seen increased levels of inflation and there can be no assurance that continued and more wide-spread inflation will not become a serious problem in the future and have an adverse impact on a portfolio's returns. If inflation continues to increase, the real value of a client's investments could decline.

*Custody and Banking Risks.* We and client portfolios will maintain funds with one or more banks or other depository institutions ("banking institutions"), which may include US and non-US banking institutions, and may enter into credit facilities or have other financial relationships with banking institutions. The distress, impairment or failure of one or more banking institutions with whom we and / or client portfolios transact may inhibit the ability of client portfolios or their investments to access depository accounts or lines of credit at all or in a timely manner. In such cases, clients may be forced to delay or forgo investments, resulting in lower performance. In the event of such a failure of a banking institution where we and / or a client portfolio or one or more of its investments holds depository accounts, access to such accounts could be restricted and U.S. Federal Deposit Insurance Corporation (FDIC) protection may not be available for balances in excess of amounts insured by the FDIC (and similar considerations may apply to banking institutions in other jurisdictions not subject to FDIC protection). In such instances, we and / or client portfolios and their affected investments may not recover such excess, uninsured amounts and instead, would only have an unsecured claim against the banking institution and participate pro rata with other unsecured creditors in the residual value of the banking institution's assets. The loss of amounts maintained with a banking institution or the inability to access such amounts for a period of time, even if ultimately recovered, could be materially adverse to the investment performance of client portfolios. One or more clients or investors could also be similarly affected and unable to fund investments, further delaying or deferring new investments. In addition, we may not be able to identify all potential solvency or stress concerns with respect to a banking institution or to transfer assets from one bank to another in a timely manner in the event a banking institution comes under stress or fails.

*Russian Invasion of Ukraine.* Russia's 2022 invasion of Ukraine, the resulting displacement of persons both within Ukraine and to neighboring countries, and the associated international sanctions could have a negative impact on the economy and business activity globally (including in countries client portfolios invest in), and therefore could adversely affect the performance of investments held by client portfolios. These sanctions, have resulted and could further result in the devaluation of the Russian currency, a downgrade in the country's credit rating, and a decline in the value and liquidity of Russian securities. Further action by the Russian government could involve the seizure of assets, and any such actions are likely to impair the value and liquidity of such assets.

Although the full effect of such events is difficult to predict, they could lead to prolonged political, legal, regulatory and economic uncertainty. This uncertainty has impacted, and could continue to impact, the global economic climate and could impact opportunities, pricing, availability and cost of bank financing, regulation, values or exit opportunities of companies or assets based, doing business, or having service or other significant relationships, in Russia or Ukraine, and their surrounding regions, including companies or assets held or considered for prospective investment by client portfolios.

Furthermore, given the ongoing nature of the conflict between the two nations and its escalation including the possibility of significant cyberwarfare against military and civilian targets globally), it is difficult to predict the conflict's ultimate impact on global economic and market conditions. As a result, the situation presents significant uncertainty and risk with respect to the investment performance of client portfolios and the ability of client portfolios to achieve their investment objectives.

*Risks Associated with Small Sized Companies.* Investments in companies with relatively small market capitalizations generally involve greater risk and price volatility than investments in larger, more established companies because small capitalization companies tend to have younger and more limited product lines, markets and financial resources and could be more dependent on a smaller management group than large capitalization companies. In addition, the equity securities of such companies are typically less liquid than larger capitalization companies. As a result, certain securities could be difficult or impossible to sell at the time and the price desired. A client portfolio could have to lower the price, sell other securities instead or forego an investment opportunity. Any of these could have a negative

effect on the management or performance of a client portfolio investing in small capitalization companies.

*Risks Associated with Hedging Transactions.* Depending on the particular portfolio, we may not be required to hedge portfolio positions or we may not anticipate a particular risk so as to hedge against it. Furthermore, we may utilize a variety of financial instruments (including derivatives), both for investment return enhancement purposes and for risk control purposes in order to:

- protect against possible changes in the market value of an investment portfolio resulting from fluctuations in the securities markets and changes in interest rates;
- protect the unrealized gains in the value of an investment portfolio;
- facilitate the sale of any such investments;
- enhance or preserve returns, spreads or gains on any investment in an investment portfolio;
- hedge the interest rate, currency exchange rate or beta exposures on any of an investment portfolio's liabilities or assets;
- protect against any increase in the price of any securities we anticipate purchasing at a later date; and/or
- for any other reason that we deem appropriate.

The success of a hedging strategy employed for a particular portfolio is subject to our ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the instances when we may hedge portfolio positions is also subject to our ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While we may enter into certain hedging transactions to seek to reduce risk, such transactions could result in a poorer overall performance than if we had not engaged in any such hedging transactions. For a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation could prevent a portfolio from achieving the intended hedge or expose a portfolio to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of portfolio holdings.

*Portfolio Turnover Risk.* We will actively and frequently trade investments in client portfolios to carry out the relevant investment strategies. Depending on the particular client portfolio, we may not place any limit on the rate of portfolio turnover, and portfolio securities may be sold without regard to the time they have been held when, in our opinion, investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater brokerage and other transaction costs and expenses than a lower rate, may act to reduce investment gains, or create a loss for clients and may result in increased tax costs for clients depending on the tax provisions applicable to such clients. The after-tax impact of portfolio turnover is not considered when making investment decisions for a client.

*Performance Fee Risk.* Some client portfolios pay a performance fee that is calculated with regard to unrealized gains as well as realized gains. Therefore, a performance fee may be paid on unrealized gains which could subsequently never be realized by the client portfolio. While we maintain internal controls and compliance policies, a performance fee provides an incentive for us to make investments for clients which are more risky than would be the case in the absence of compensation based solely on realized gains.

The computations required to be made for purposes of computing a performance fee may be made separately with respect to separate contributions to or redemptions from a client portfolio, to reflect appropriately the different times at which contributions or redemptions were made and the net asset value of the client portfolio at such times. As a result, in certain circumstances, a performance fee will be paid with respect to a specific contribution from a client even if no performance fee would have been paid had all of such client's contributions been aggregated.

In certain Arrowstreet Sponsored Funds, we may be entitled to an incentive allocation, and while such allocation would retain the tax character of the underlying investments, there is no consideration of the tax consequences for Arrowstreet.

*Risks Associated with Loss or Misconduct of Employees and of Third Party Service Providers.* There can also be no assurance that key personnel will continue to be associated with us for any length of time. Misconduct by our employees or by a third party service provider that we utilize could cause significant losses to a client portfolio.



Employee misconduct could include binding a client portfolio to transactions that present unacceptable risks and unauthorized activities or concealing unsuccessful activities (which, in either case, may result in unknown and unmanaged risks or losses). Losses could also result from actions by a third party service provider, including, without limitation, failing to record transactions or improperly performing other administrative responsibilities. In addition, employees and third party service providers could improperly misappropriate, use or disclose confidential information, which could result in loss of intellectual property, litigation or serious financial harm. Such activities could result in reputational damage, litigation, business disruption and/or financial losses. Although we have adopted measures reasonably designed to prevent and detect employee misconduct and to select reliable third party providers, such measures are not effective in all cases.

*Risks Associated with Information Technology Systems and Cyber-Security.* We rely in part on computer programs to evaluate certain securities and other investments, to monitor each client's portfolio, to trade, clear and settle securities transactions, and to generate asset, risk management and other reports that are utilized in the oversight of each client's activities. In addition, certain of our operations will interface with or depend on systems operated by third parties, which may not be possible to monitor. Any or all of these programs or systems may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by malware, computer 'worms,' viruses, network failures, computer and telecommunications failures and power failures. Such failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect the ability to monitor investment portfolio and risk. Any such defect or failure could cause a client portfolio to suffer financial loss, the disruption of business, liability to third parties, regulatory intervention or reputational damage.

Also, our operations are subject to operational and information security risks resulting from cyber-attacks, despite our efforts (and the efforts of our service providers) to adopt technologies, processes and practices intended to mitigate these risks and protect the security of our computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of our information and information belonging to our clients. In general, cyber-attacks are deliberate, but unintentional events could have similar effects. Cyber-attacks, which could include either internal and/or external bad actors, include, among others, stealing or corrupting our data, a service provider's data or data of our clients, preventing legitimate users from accessing information or services on a website, releasing confidential information without authorization, and otherwise causing operational disruption. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of our or a service provider's systems to disclose sensitive information in order to gain access to our data or that of our clients. Successful cyber-attacks against, or security breakdowns of, us or a custodian or other third-party service provider could adversely affect our clients. For instance, cyber-attacks could cause the release of a client's information, impede trading, expose assets (including intellectual property) to theft or embezzlement, cause reputational damage, cause the inability to access electronic systems, or cause physical damage to a computer or network system or costs associated with system repairs. While we have established business continuity plans and systems and internal controls designed to prevent cyber-attacks, there are inherent limitations in such plans, systems and controls, including the possibility that certain risks have not been identified.

Our service providers and service providers to client portfolios are subject to similar electronic information security threats. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of client portfolios and information regarding client portfolios may be lost or improperly accessed, used or disclosed. If a service provider suffers a cyber-attack or a systems defect or failure, we may need to (or decide to) use a different service provider, which could be less efficient or more expensive, and the transition to such new service provider could disrupt trading by client portfolios.

Similar types of cybersecurity risks are also present for issuers of securities in which our clients invest, which could result in material adverse consequences for such issuers, and may cause a client's investment in such securities to lose value. Furthermore, as a result of cyber-attacks, technological disruptions, malfunctions or failures, an exchange or market may close or issue trading halts on specific securities or the entire market, which may result in client portfolios being unable, among other things, to buy or sell securities or for investments to be accurately priced.

#### ***Additional Risks Applicable to "Alpha Extension" and Beta Neutral Equity Strategies***

*Risks Associated with Short Sales.* We effect short sales in our client portfolios for certain client portfolios, including the Arrowstreet Sponsored Funds that utilize one of our Alpha Extension or Beta Neutral strategies. A short sale is a transaction in which a client portfolio sells a security it does not own in anticipation of a decline in the market price

of the security. To effect a short sale, we typically borrow the security from a prime broker or other financial institution, including custodians that offer “enhanced custody” products or similar products. In borrowing the security to be delivered to the buyer, a client portfolio will become obligated to replace the security borrowed at its market price at the time of replacement, whatever that price may be. A client portfolio could have to pay a premium to borrow the security and must pay to a prime broker or other financial institution any dividends or interest payable on the security until it is replaced. To effect a short sale, a client portfolio must also deposit an amount of cash or securities with a prime broker or other financial institution, sufficient under current margin regulations and such financial institution’s policies, to collateralize its obligation to replace the borrowed security that has been sold.

A short sale results in a gain when the price of a security sold short declines between the date of the short sale and the date on which a security is purchased to replace the borrowed security by more than the amount of any premium, dividends and interest that a client portfolio could be required to pay with respect to the borrowed security. A short sale results in a loss if the price of the security sold short increases or does not decrease enough to offset the amount of any such premium, dividends and interest. Our use of short sales involves distinct investment risks and transaction costs. A client’s potential loss from an uncovered short position in an equity security is unlimited. We may not be able to close out a short position at any particular time or at the desired price. The use of short sales increases the market exposure of a client’s portfolio and allows the client to leverage its portfolio. Such leverage will exaggerate the effect of any increase or decrease in the value of the portfolio’s assets and, therefore, may increase the volatility of the client’s portfolio. The transaction costs associated with short sales may exceed the income received through short sales. There can be no assurance that we will be able to leverage investments through short sales effectively.

Certain jurisdictions have rules requiring public disclosure of short positions, and additional rules could be adopted in other jurisdictions (including the United States) in the future. In addition, non-U.S. jurisdictions where a portfolio may trade have adopted reporting requirements with respect to short sales. If a portfolio’s short positions or its strategy become generally known, it could have a significant effect on our ability to implement its investment strategy. In particular, it would make it more likely that other investors could cause a “short squeeze” in the securities held short by a client forcing such client to cover its positions at a loss.

If other investors engage in copycat behavior by taking positions in the same issuers as a client portfolio, the cost of borrowing securities to sell short could increase drastically and the availability of such securities to such client portfolio could decrease drastically. Such events could render us unable to execute our investment strategy. If a regulator were to adopt additional restrictions on short sales, such restrictions could restrict a client portfolio’s ability to engage in short sales in certain circumstances, and we may be unable to execute our investment strategy as a result.

The SEC and regulatory authorities in other jurisdictions could adopt (and in certain cases have adopted) bans on short sales of certain securities in response to market events. Bans on short selling could make it impossible for us to execute certain investment strategies and could have a material adverse effect on our ability to achieve our investment objective and generate returns. In addition, engaging in short selling could increase the risk of us becoming subject to government investigation.

*Risks Associated with Leverage.* A client portfolio that utilizes short sales, such as our Alpha Extension and Beta Neutral strategies, will be leveraged. The use of leverage creates special risks and could significantly increase a client portfolio’s investment risk. Leverage creates an opportunity for greater yield and total return but, at the same time, will increase a client portfolio’s exposure to capital risk and interest costs. Any investment income and gains earned on investments made through the use of leverage that are in excess of the interest costs associated with such leverage can cause the value of a client’s portfolio to increase more rapidly than would otherwise be the case. Conversely, where the associated interest costs are greater than such income and gains, the value of a client’s portfolio can decrease more rapidly than would otherwise be the case.

*Financing Risks.* Financing from banks, dealers and other counterparties will typically be reduced in disrupted markets. Such a reduction could result in substantial losses to client portfolios that utilize such financing. Market disruptions can from time to time cause dramatic losses for client portfolios, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

*Lending of Securities Risk.* A client portfolio may lend portfolio securities to broker-dealers and other financial institutions. The advantage of such loans is that such client portfolio would continue to receive the interest or dividends on the loaned securities, while at the same time earning interest on the collateral received in respect of the loaned securities. If the borrower fails to maintain the requisite amount of collateral, the loan automatically terminates,

and such client portfolio could use the collateral to replace the securities while holding the borrower liable for any excess of replacement cost over collateral. On termination of the loan, the borrower is required to return the securities to such client portfolio; any gains or loss in the market price during the loan would inure to such client portfolio. In the event of the bankruptcy of the other party to a securities loan, such client portfolio could experience delays in recovering the securities it lent. To the extent that the value of the securities lent by such client portfolio has increased, such client portfolio could experience a loss if such securities are not recovered. There is also a risk of trade failures involving such securities, to the extent such securities are not recovered in time to settle the applicable trade.

#### ***Additional Risks Associated with the Arrowstreet Sponsored Funds***

The risks identified above are substantially the same as those applicable to an investment in an Arrowstreet Sponsored Fund, depending on the specific fund chosen for investment. However, additional risks can be relevant such as risks relating to use of custodians and prime brokers, reliance on third party service providers such as administrators, transfer agents, pricing agents and tax service providers, fund asset valuation and pricing matters, subscriptions and redemptions (including compulsory redemptions), lack of investor control/voting rights, receipt of in-kind distributions and additional regulatory risks. Investors are urged to carefully review the offering documents for the applicable Arrowstreet Sponsored Fund, including the risks relating to an investment in any such Arrowstreet Sponsored Fund as described in such materials.

#### **Item 9 – Disciplinary Information**

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

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

##### ***Broker, Dealer, Commodity Registrations***

We are registered as a commodity trading advisor and commodity pool operator with the U.S. Commodity Futures Trading Commission (CFTC), and we have management personnel that are registered as “approved principals,” “associated persons” and/or “swap associated persons” of a commodity trading advisor and a commodity pool operator with the CFTC. We are also an approved “swap firm” with the National Futures Association (NFA).

Neither we nor any of our personnel are registered (or have a registration application pending) as:

- a broker-dealer;
- a registered representative of a broker dealer;
- a futures commission merchant; or
- an associated person of a futures commission merchant.

##### ***Other Material Relationships***

Arrowstreet serves as investment adviser to each Arrowstreet Sponsored Fund. Arrowstreet also has an active oversight role with regard to the Arrowstreet U.S. Group Trust and Arrowstreet Investment Trust.

Members of our management team serve on the board of directors of each of the following Arrowstreet Sponsored Funds: Arrowstreet Capital Global Equity Long/Short Fund Limited, Arrowstreet Capital Global Equity Long/Short Fund (Feeder) Limited, Arrowstreet Capital Global Equity Alpha Extension Fund Limited, Arrowstreet Capital Global All Country Alpha Extension Fund Limited (a fund no longer offered to investors), Arrowstreet Capital Global All Country Alpha Extension Fund (Cayman) Limited, Arrowstreet World Small Cap Equity Alpha Extension Fund (Cayman) Limited, Arrowstreet ACWI Alpha Extension Fund III Cayman Limited, Arrowstreet ACWI Alpha Extension Fund V (Cayman) Limited, Arrowstreet Capital Global Equity Long/Short Greenway Fund Limited, and Arrowstreet Capital ESG Global Equity Long/Short Fund Limited and Arrowstreet Capital Copley Fund Limited.

Arrowstreet Capital Brattle GP LLC is wholly owned by Arrowstreet Capital Holding LLC and is the general partner of Arrowstreet Capital Brattle (US Feeder) II L.P., Arrowstreet Capital Global Equity Alpha Extension Fund (US Feeder) L.P., Arrowstreet (Delaware) Alpha Extension Fund L.P., Arrowstreet EMK Alpha Extension Fund L.P. and Arrowstreet International Equity EAFE Alpha Extension Fund L.P.

Please refer to Item 4 for information relating to our corporate affiliates.

Select, qualified investors may, upon written request to Arrowstreet, obtain copies of the offering documents relating to an Arrowstreet Sponsored Fund. Prospective investors are required to demonstrate their eligibility to invest in the applicable Arrowstreet Sponsored Fund prior to receiving such offering documents.

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

### ***Overview of Code of Ethics***

We maintain a Code of Ethics that establishes fundamental standards of conduct on or firm and our personnel. Our fiduciary duties of loyalty and care require that we act at all times in good faith and in the best interests of our clients and place client interests first, avoiding conflicts of interest between personal and firm or client matters through effective management (or elimination). Our Code of Ethics requires that we treat our clients fairly and equitably, and we may not systematically favor the interests of one client over another.

We seek to foster a reputation of integrity and professionalism. The confidence and trust placed in our firm by our clients must be valued and protected by all personnel. Upon joining our firm, personnel must read and acknowledge that they understand our Code of Ethics. Our personnel must also affirm their compliance with the Code of Ethics on a quarterly and annual basis.

The Code of Ethics is designed to deter inappropriate behavior and promote honest and ethical conduct, including full, fair and accurate disclosure, compliance with applicable rules and regulations and reporting of Code of Ethics violations. Specifically, the Code of Ethics addresses, among other things:

- nondisclosure of confidential firm and client information, subject to applicable law (including whistleblower rules);
- compliance with applicable law and regulations;
- prohibition on insider trading and reporting and escalation procedures should firm personnel come into possession of material nonpublic information;
- prohibition on market manipulation;
- explanation of fiduciary obligations;
- additional responsibilities for investment personnel including compliance with the CFA Institute's Code of Ethics (when applicable);
- restrictions and prohibitions relating to the giving and receiving of gifts and other inducements;
- reporting and approval requirements for certain outside business activities;
- restrictions on personal security trading and related preclearance procedures;
- duty to report, and accountability for, violations of the Code of Ethics;
- internal and external reporting requirements; and
- record keeping.

A copy of our Code of Ethics is available to any client or prospective client upon request.

### ***Purchase of Securities for Own Account; Pre-Clearance***

We do not engage in securities transactions for our own account other than for internal corporate treasury cash management purposes or in order to accommodate tax or other regulatory purposes, Arrowstreet Capital Holding LLC has invested (and may invest in the future) a modest amount in certain of the Arrowstreet Sponsored Funds.

Our personnel and affiliates may enter into transactions for their own account that are also recommended to, or purchased for, our clients, subject to the personal trading rules set forth in our Code of Ethics, including strict pre-clearance procedures and reporting requirements. For example, certain investment funds of the Arrowstreet Collective Investment Trust are investment options under the firm's sponsored 401(k) plan. The expectation is that some 401(k)

plan participants, including current employees, will invest in one or more of such investment funds (and such contributions would be subject to the employer “match” by the firm, as applicable under the terms of the plan). In addition, certain members of Arrowstreet Capital Holding LLC (and certain estate-planning vehicles of such members) invest in Arrowstreet Capital Brattle (US Feeder) II L.P. (indirectly, through an investment vehicle created for such purpose).

As a general rule, firm personnel (other than non-executive directors of our parent company and its affiliates) must obtain written pre-clearance from the Chief Compliance Officer (or their delegate) prior to effecting any transaction in most securities (defined broadly in our Code of Ethics). Pre-clearance for a transaction in a security is granted in certain limited cases in accordance with the pre-clearance rules set forth in our Code of Ethics. The Chief Compliance Officer (or their delegate) may deny or impose conditions on pre-clearance of any proposed trade if such trade would be, or would appear to be, inconsistent with applicable legal or fiduciary obligations.

Firm personnel are required to report all personal securities transactions that have not otherwise been exempted from reporting to the Chief Compliance Officer (or their delegate) on a quarterly basis.

### ***Advisory Services***

We provide investment advisory services to many institutional clients. We give advice and take action with respect to certain client portfolios which might differ from the advice made or recommended or actions taken with respect to other client portfolios even though the investment objectives of such client portfolios may be the same or similar. We are not obligated to purchase or sell, or to recommend for purchase or sale, for a client portfolio any security which we may purchase or sell for a portfolio of any other client. Our other clients may at any time hold, acquire, increase, decrease, or dispose of positions in investments which are at the same time being acquired or disposed of for another client.

It is possible that we may cause a client to engage in short sales of, or take a short position in, an investment that is at that time owned or being purchased by other client portfolios managed by our firm, or vice versa. These positions and actions may adversely affect or benefit different clients at different times. In addition, purchases or sales of the same investment may be made for two or more clients on the same date in the same or opposing directions. In effecting such transactions, it may not be possible, or consistent with the investment objectives of our various clients, to purchase or sell securities at the same time or at the same prices.

### ***Aggregation of Trades; Trade Allocation***

We typically aggregate (block) trades for our clients (including the Arrowstreet Sponsored Funds), with the exception of trades in equity index futures and exchange traded funds used for the purpose of equitizing client cash flow activity and for cash management purposes (discussed in more detail in Item 12 below). Where we allocate an investment opportunity among two or more clients, we act in good faith and endeavor to ensure that such allocation is fair and equitable to such clients. Please refer to Item 12 for additional information about our trade aggregation and allocation policies.

## **Item 12 – Brokerage Practices**

### ***Best Execution***

#### **Execution Committee**

We maintain an Execution Committee consisting of the Chief Investment Officer, Chief Compliance Officer, General Counsel and senior members of Portfolio Management. The Execution Committee meets quarterly to review and discuss execution matters, such as additions to and withdrawals from our approved broker, counterparty, futures commission merchant and futures execution broker trading list; performance and scorecard rankings for broker-dealers and counterparties; commission rates; allocation of order flow, broker / counterparty / futures commission merchant / futures execution broker operational issues and changes to our broker / counterparty / futures commission merchant / futures execution broker selection or execution monitoring process.

A copy of our best execution policy is available to clients and prospective clients upon request.

### ***Broker and Counterparty Selection and Monitoring***

We select brokers, dealers, counterparties and futures commission merchants in accordance with the terms of our best

execution policy. Our best execution policy acknowledges our fiduciary responsibility to take prudent steps to ensure that best execution is obtained on behalf of clients. Our determination of best execution is not based necessarily on lowest commission rates (or other direct costs), but more broadly on whether transactions as a whole represent the best qualitative and quantitative execution for the client portfolio.

### Securities

*Broker-Dealer Selection.* Portfolio Management performs extensive due diligence regarding broker-dealer selection, usage, monitoring and evaluation by considering the full range and quality of a broker's services. These considerations may include:

- Execution capability, reliability and familiarity with specific markets
- Integrity
- Current and historical responsiveness
- Historical effectiveness in executing orders
- Commission rates
- Transparency relative to order routing and venue execution
- Financial condition
- Brokerage and research services (as permitted under Section 28(e))
- Operational capabilities
- Ability to handle high volume transactions
- Technology infrastructure
- Commitments extended (where applicable)

When a new executing broker is to be added to our approved list of broker-dealers, Portfolio Management evaluates the broker's expertise and capabilities and presents the information to the Investment Committee for review and approval.

We communicate our trading processes and requirements to each broker-dealer. These requirements include, among other things, the format of our trade communications, the specific processes by which trades are communicated, our established parameters for trading, data requirements to support our post execution transaction cost analysis and a list of persons authorized to communicate trades.

*Broker-Dealer Execution and Monitoring.* Post-trade analysis reports on the costs of implementing the trading strategies are prepared by Portfolio Management on a monthly basis. These post-trade analytics allow portfolio managers and other investment personnel to monitor broker-dealer performance against various execution benchmarks. These analyses consider such topics as how the trading strategies performed during a specified period, overall trading costs in various markets, the costs associated with the delay in getting trades to the markets and the ability of broker-dealers used to execute trades while minimizing market impact. These analyses are presented to the Investment Committee and to the Execution Committee.

Scorecards that evaluate each broker-dealer are completed by Portfolio Management. The scorecard results are shared with the relevant broker-dealers as part of a periodic evaluation process that ranks equity brokers, and determines their allocation of order flow for the subsequent quarter. When necessary, broker-dealers are temporarily suspended and, if their performance does not subsequently improve, they are removed from the list of approved broker-dealers. The results of these scorecards and any broker-dealer suspension measures are discussed periodically with the Execution Committee.

*Broker-Dealer Restrictions.* There may be instances where trading may be limited to the use of a single broker-dealer or comparatively fewer broker-dealers than otherwise would be prescribed by our customary trading practices. For instance, there may be restrictions imposed by clients (or clients may explicitly direct us to use certain broker-dealers in trading the applicable portfolio), by local market rules or custom or by applicable laws and regulations. As a result, there may be fewer eligible broker-dealers available for trading and best execution may be more difficult to achieve

under these circumstances. In cases of client imposed limitations, we will discuss with the client the potential impact of such limitations, including, as applicable, limitations on our ability to ensure the quality of executions.

#### Foreign Currency

*Foreign Currency Trading with Third-Party Counterparties Selected by Arrowstreet.* Our practice with regard to foreign exchange trading (other than with respect to certain currencies described below) is to execute the majority of client portfolio trades through third-party counterparties that are selected on a case-by-case basis in accordance with the applicable “Broker-Dealer Selection” principles described above. Because foreign exchange trading is conducted on a principal/counterparty basis, the creditworthiness of a counterparty is an additional criterion in the selection process and is monitored by Portfolio Management on a regular basis. We believe that the discretion to utilize multiple third-party counterparties allows us more opportunity to improve execution quality than if we were limited to a single counterparty or if we outsourced currency trading to client custodians.

In performing foreign exchange trades, Portfolio Management utilizes a proprietary optimization tool that considers, among other things, where such data is available, counterparty credit risk, current price quotations and historical execution quality from our selected counterparties and finally, expected transaction costs. We are also able to evaluate the overall competitiveness of each counterparty’s pricing, per currency, on a periodic basis through review of price quotations received on an ongoing basis.

Scorecards that analyze and evaluate counterparty competitiveness are completed by members of the Portfolio Management team. The scorecard results are shared with the relevant counterparties as part of a periodic evaluation process. The scorecards are used to provide post execution feedback to the counterparties.

There are a number of instances, however, where we may be limited to using a single counterparty or comparatively fewer counterparties than would otherwise be our preferred trading practice. These include circumstances where a client has imposed certain counterparty credit eligibility standards or other counterparty usage restrictions. In such cases, we will discuss with the client the potential impact of such limitations, including, as applicable, limitations on our ability to negotiate rates or otherwise ensure the quality of executions. Further, foreign exchange trading related to margin-maintenance of non-USD futures contracts may be conducted entirely with the futures commission merchant with which the futures trade is held due to operational considerations.

*Foreign Currency Trading through Client Custodians.* Certain emerging market currencies are executed through custodians chosen by our clients to facilitate trade settlement or for cash management purposes. This limited usage of clients’ custodians for trading such currencies is primarily due to:

- country level exchange controls that restrict, or preclude, cross-border currency movements; and/or
- the custodian’s ability to reduce operational risks associated with trading these currencies.

In addition, we may direct clients’ custodians to exchange small foreign currency balances that accumulate in a client portfolio into U.S. dollars or other currencies as part of our cash management process from time to time.

In the situations described above, it is our expectation that currency trades placed with a client custodian will be executed pursuant to best execution standards as agreed between the client and its appointed custodian. We do not, under these circumstances, have the ability to negotiate rates or to fully evaluate the quality of the execution because important elements of the counterparty relationship are outside of our knowledge and control. Our clients are advised in such cases that we may not be able to achieve best execution under these circumstances.

Similar practices as described above are followed for the Arrowstreet Sponsored Funds. While we similarly do not have the ability to negotiate rates or seek competitive pricing in such cases, the Arrowstreet Sponsored Funds seek certain assurances with respect to the execution of such trades from their administrators/custodians and also seek reporting to permit our evaluation of certain elements of such transactions.

#### Exchange Traded Futures Contracts

Subject to a client’s investment guidelines, we may trade exchange traded futures contracts for client portfolios. The selection and monitoring of executing brokers and futures commission merchants for futures transactions generally follows the same principles described above under “Broker-Dealer Selection” and “Broker-Dealer Execution and Monitoring” and is subject to monitoring reviews.

We currently utilize two futures commission merchants and multiple futures execution brokers. Scorecards that

evaluate each futures execution broker are completed by Portfolio Management. The scorecard results are shared with the futures execution brokers as part of a periodic evaluation process that ranks such brokers, and determines their allocation of order flow for the subsequent quarter. When necessary, futures execution brokers are temporarily suspended and, if their performance does not subsequently improve, they are removed from the list of approved futures execution brokers. The results of these scorecards and any broker-dealer suspension measures are discussed periodically with the Execution Committee.

There may be instances where we may be limited by local exchange rules to using a single futures execution broker based on the contract being traded for a client portfolio. For example, this would be the case for any exchange traded futures contract trading on a “non-give up” exchange. In such circumstance, the trade must be executed with the applicable futures commission merchant’s execution broker; such limitation may negatively impact our ability to ensure the quality of executions.

#### Counterparty/Principal Transactions – Equity Securities

As a general rule, we execute client securities trades in the open market using broker-dealers acting on an agency basis. However, in certain circumstances, we may determine that it is prudent to sell certain illiquid holdings on a “block” trade basis where the broker is acting as principal. There may be other limited circumstances in which we execute client securities trades using broker-dealers acting on a principal basis (e.g. in response to non-natural indications of interest, to complete small residual orders at the end of a trading day, or to modify settlement cycles for cash management purposes). In all such instances the pricing of these orders is consistent with prevailing market prices.

#### Participation Notes

Subject to a client’s investment guidelines, we trade participation notes for client portfolios. The selection and monitoring of participation note counterparties follows the same principles described above under “Broker-Dealer Selection,” “Broker-Dealer Execution and Monitoring” and “Foreign Currency Trading with Third-Party Counterparties Selected by Arrowstreet” and is subject to similar monitoring reviews. Referencing the principles described above, we evaluate the counterparty’s acquisition and disposal of the local security referenced by the participation note (and the corresponding foreign currency transaction) on a real time basis.

#### ***Trades and Commissions***

*Equities.* Trades are typically conducted through program trading and electronic trading desks. We typically negotiate rates based on the region/country coverage and whether we are trading through a program desk or through an electronic trading desk. We seek to have consistent rates across all broker-dealers using these factors. In addition, such rates may be further adjusted on a broker-dealer by broker-dealer basis based on broker routing practices. It is conventional in global markets to calculate commissions as a specified number of basis points relative to the price of the security being traded (i.e., as a percentage of the price), rather than as an absolute amount per share traded as is the norm in the United States. We typically negotiate commissions using the basis points method for all markets. We monitor market conditions and will re-negotiate the level and type of commission schedule if and when appropriate.

We typically trade on regulated markets and trading venues (including OTC markets) on which the security subject to such trade is listed, registered or otherwise admitted to trading. We also trade on non-exchange crossing networks such as alternative trading systems and multilateral trading facilities. In certain limited cases, we sell or buy securities to or from a broker-dealer off-exchange or where the dealer is acting on a principal basis.

*Over-the-Counter (OTC) Foreign Exchange.* Foreign exchange trades are executed on a principal basis with approved counterparties. There is no explicit commission charged on foreign exchange trades as dealers are compensated by earning bid/ask spreads. We evaluate and execute each foreign exchange trade per our best execution policy, minimizing the overall implementation cost.

*Exchange Traded Futures.* Exchange traded equity index futures are executed via broker-dealer trading desks. Execution only commission rates are negotiated by contract and are generally consistent across broker-dealers. Commissions are calculated per lot in local currency units of the equity index futures contract. We monitor market conditions and re-negotiate commission rates as appropriate.

#### ***Trade Aggregation and Allocation***

*Trade Aggregation - Generally.* Our investment process is designed to generate trade orders at the individual portfolio



level and then to aggregate and execute as a block order those trade orders in the same security or contract, in the same direction, on the same day, for multiple client portfolios, except where a client directs, or where a local market or exchange requires otherwise, or with respect to the use of equity index futures and exchange traded funds for purposes of equitizing cash flows and cash management purposes, as further described below. We believe that block trading may, where appropriate, allow us to execute trades in a more timely and equitable manner and may reduce overall commission charges to client portfolios. There may, however, be instances in which order aggregating results in a less favorable transaction than a particular client portfolio would have obtained by trading separately. Similarly, when orders are not aggregated, there may be circumstances when purchases or sales of portfolio securities for one or more client portfolios will have an adverse effect on other client portfolios. We are not obligated to place all transactions on an “aggregated” basis, and in determining whether or not to “aggregate” orders, we rely on the judgment of Portfolio Management as to what course of action is likely to be fair and in the best interests of the relevant portfolios on an overall basis. That is, we seek to avoid putting any client portfolio at any systematic advantage or disadvantage compared to our other client portfolios that are buying or selling the same security. Where a particular trading market or exchange does not permit the aggregation of orders, client portfolios trading the same security or the same contract, on the same day, in the same direction, may receive different execution prices.

*Trade Aggregation – Timing of Aggregation.* If an order is placed and confirmed with a broker/counterparty before any additional orders for the same security are placed with that broker/counterparty, the original order will not be aggregated with any other subsequent orders for the same security. If an order is open and any additional orders for the same security are received, the existing order will be closed out and the remaining orders will be aggregated where possible, if such aggregation is consistent with achieving best execution. The determination of whether to proceed with aggregating orders (where additional, subsequent orders are received for a security that already has an outstanding order) is subject to the discretion of Portfolio Management depending on factual or market conditions and the firm’s duty to achieve best execution. Where aggregating the existing and subsequent orders is not consistent with the firm’s duty to achieve best execution, Portfolio Management may determine that the subsequent order may not be executed at such time. Where trade orders are aggregated, the resulting execution will be allocated among all applicable portfolios in accordance with our trade allocation policy.

*Trade Allocation.* Our investment process is designed to generate trade orders at the individual portfolio level and then to aggregate and execute as a block order those trade orders in the same security or contract, in the same direction, on the same day, for multiple client portfolios, except where a client directs, or where a local market or exchange requires otherwise, or with respect to the use of equity index futures and exchange traded funds for purposes of equitizing cash flows and cash management purposes. Where a trade order is allocated among two or more client portfolios, our policy is to act in good faith and allocate the trade order in a fair and equitable manner to such client portfolios. Orders are allocated across participating client portfolios substantially pro-rata using a systematic process within the order management system or other proprietary system, subject to the requirements of a particular trading market or exchange.

Where an aggregated trade order is executed at multiple prices, a weighted average price for the trade order will be calculated and applied across all participating client portfolios using a systematic process within the order management system or other proprietary system, subject to the requirements of a particular trading market or exchange.

Exceptions to the pro rata basis for trade order allocation and / or price allocation will not be made to systematically favor or disfavor one client portfolio over another and no trade order or price allocations may be made based on portfolio performance, the amount or structure of management fees or other fees or whether the portfolio is proprietary or affiliated with the firm versus a third-party.

*Trade Aggregation and Allocation Applied to Equity Index Futures and Exchange Traded Funds For Equitization and Portfolio Cash Management.* Our trade aggregation and allocation policy, as applied to the use of equity index futures or exchange traded funds for cash equitization purposes and cash management purposes, recognizes that these trades are designed specifically to manage tracking risk for short interim periods and that the timing of execution of such trades for each client is important and may vary across client portfolios for a variety of reasons, including the timing of flows into or out of a client portfolio and the benchmark for the client’s portfolio. Our policy further recognizes that these instruments are generally diversified and generally highly liquid. As a result, we generally evaluate and execute these trades independently. Accordingly, client portfolios trading the same equity index futures and / or exchange traded funds, on the same day, in the same direction, may execute those trades at different periods of time during the day and consequently, receive different execution prices or different completion percentages. Where client portfolios’ equity index futures and/or exchange traded funds trades are executed independently, such trades will be

assigned on a pre-trade basis and there will be no discretionary allocation of trades among client portfolios post-trade. We will block such orders and allocate pro rata in the manner described above, where practicable, to the extent we determine that doing so is in the relevant client portfolios' best interests under the circumstances.

*Foreign Exchange.* Other than with respect to certain currencies as described below, we execute the majority of client portfolio foreign exchange trades through third-party counterparties. At the time of order placement we aggregate trades in each currency instrument across client portfolios. Where clients impose counterparty credit eligibility standards or other counterparty usage restrictions exist (including due to margin-maintenance and operational considerations), orders may be required to be placed in different currency instruments (including with different counterparties), and thus, at different prices, across client portfolios.

Furthermore, for certain non-developed market currencies we may be limited to transacting with the custodians appointed by our clients.

#### ***Directed Brokerage/Commission Recapture Arrangements***

We define the term "directed brokerage" as an arrangement whereby a broker-dealer agrees to pay client expenses in exchange for commissions. This contrasts with our definition of the term "commission recapture," which we define as a cash rebate on commissions paid. In both scenarios, the client is receiving benefits from commissions paid on its own trading activity. Under these arrangements, investment advisers do not receive products, cash rebates or services. Instead, the advisers' clients receive the products, services or cash rebates generated by their commissions.

As a general rule, we do not participate in client directed brokerage or commission recapture programs. However, at the request of a client, we may track a client portfolio's participation in a directed brokerage or commission recapture program in our order management system and provide periodic reporting of applicable trades to the client.

In the event we do participate in such a program, we do so only upon written instruction from the client and where we have made the client aware (including through delivery of a Part 2A Brochure of Form ADV) that use of these type of arrangements may deprive the client portfolio of benefits that might otherwise be obtained by "aggregating" the client portfolio's order with orders for other firm client portfolios. For example, participation in such programs may result in the client portfolio paying a higher commission rate or receiving less favorable execution than if we had discretion to select the broker or negotiate the commission rate. In cases where we participate in a directed broker/commission recapture program on behalf of a client, although an effort will be made to obtain prices for directed brokerage orders comparable to those given to non-directed brokerage portfolios, these trades will typically be executed after non-directed brokerage trades. Accordingly, it is the client's responsibility to satisfy itself about the adequacy of these brokerage arrangements as a whole.

In the event we do not retain full discretion with respect to the selection of brokers and / or counterparties and execution of trades, our duty to achieve best execution will be mitigated and, in some cases, eliminated. Our clients should be aware that we may not be able to achieve best execution under these circumstances.

#### ***Securities Step-Out Transactions***

A step-out transaction involving securities typically involves a transfer of all or a portion of a broker-dealer's securities position to another broker-dealer, the transfer of which does not constitute a trade. In a step-out transaction, a block trade is placed with an equity broker with the instruction that the broker execute the entire transaction but "step out" of a portion of the trade in favor of a different broker that has a step-out arrangement with one or more clients of the adviser. The broker with the step-out arrangement receives the commission (or a portion of it) for the stepped-out portion of the trade. In these instances we may not be privy to the commission sharing arrangements between the client and the broker. As a general rule, we do not participate in this type of transaction with respect to equities transactions. Should a client portfolio participate in a step-out transaction, such transaction is tracked by the order management system. Periodic reporting is provided to the relevant client and the broker/beneficiary pair.

#### ***Trade Errors***

Trade errors may occur from time to time with respect to client portfolio trades and such events must be identified and reported promptly. In general, a trade error occurs when a trade executed by the firm is done in a violation of our fiduciary duty. We expect that trade errors will be promptly reported and reimbursed to the client, if applicable.

We seek to correct any trade error in a prompt and efficient manner to minimize any loss. Pursuant to guidance from the SEC and U.S. Department of Labor (DOL), we do not use commissions from client portfolio transactions to

compensate brokers for absorbing a trade error, or use one client portfolio to absorb an error in a different client portfolio. Additionally, consistent with the safe harbor under Section 28(e) of the Exchange Act, we will not compensate for a loss by providing future commissions or soft-dollars to a broker-dealer. In general, when an error and the responsible party are identified, the trade is broken (or effectively managed) immediately, if possible, and we seek to correct the error on the same trading day to the extent practicable. All firm personnel must promptly notify the Chief Compliance Officer and Chief Investment Officer of any actual or suspected trade errors.

In the event of a loss, we will reimburse the client portfolio for the amount of the loss. The client portfolio will keep any profit from a trade error.

### ***Referrals***

Brokers selected by us to execute transactions for client portfolios may from time to time also refer clients to us. The firm has no agreement to select brokers who refer clients and will not consider client referrals in selecting or recommending brokers or dealers for its client portfolios.

One or more Arrowstreet Sponsored Funds may utilize the capital introduction services of prime brokers to one or more Arrowstreet Sponsored Funds so long as no cash or other compensation is paid by the firm (or anyone acting on behalf of the firm) in connection with such services.

### ***Reconciliation Policies***

Client portfolio records are reviewed on a daily basis in order to support trading activity and on at least a monthly basis in order to compare our account records to those of the client portfolio's custodian or administrator and to support client reporting. For reconciliation discrepancies in the context of trade settlement, our policy is generally not to pursue reimbursement where the associated trades are permitted to settle, as the marketplace has determined such discrepancies are immaterial. For other reconciliation discrepancies, our policy is to review overdraft charges of greater than U.S. \$1,000, differences in dividend receivables of greater than U.S. \$5, and to review other miscellaneous charges to the extent they are greater than U.S. \$100. In each case where we review a discrepancy, we will use reasonable efforts to pursue reimbursement for the client portfolio where appropriate.

### ***Soft Dollar Benefits***

We do not have any commitments or understandings to trade with specific broker-dealers or to generate a specified level of brokerage commission in order to receive brokerage or research services. These commitments or understandings are generally known as "soft dollar arrangements." The Chief Compliance Officer must be consulted should the firm seek to establish any such arrangement. From time to time, we may receive research and brokerage services from broker-dealers, including prime brokers, as an incident of doing business (such as market/research data, research analyst reports and industry seminars), but only where:

- there is no formalized arrangement with an explicit target or ratio linked to our commission business with such broker-dealers; and
- we do not "pay up" for these items in the form of higher commissions on similarly situated client portfolio trades.

We consider any such services as *de minimis* and such services are not factored into our broker selection process or systematically consumed as a primary input to our investment process.

We execute portfolio transactions with broker-dealers only in a manner that complies with Section 28(e) of the Exchange Act. We will execute portfolio transactions through broker-dealers only if we believe such brokers provide best execution, and in evaluating best execution, while not our standard practice, we may consider the value of eligible research and brokerage services (for purposes of compliance with Section 28(e) of the Exchange Act) received from a broker-dealer in accordance with Section 28(e) of the Exchange Act in terms of the particular transaction or our responsibilities with respect to portfolios for which we exercise investment discretion.

## **Item 13 – Review of Accounts**

We do not assign client portfolios to individual portfolio managers. Rather, client portfolios are reviewed on a regular basis by investment professionals and compliance professionals for investment performance as well as for conformity with a client's investment guidelines. Client portfolio records are reviewed on a daily basis in order to support trading

activity and on at least a monthly basis in order to compare our portfolio records to those of the clients' custodians or administrators and to support client reporting.

Unless a client specifies otherwise, we provide each client with written monthly reports consisting of a portfolio holdings statement (including an investor level statement for Arrowstreet Sponsored Fund Investors) and a comparison of the client's portfolio with records of the client's custodian and / or administrator (for separately managed portfolios). In addition, each client receives monthly and quarterly letters describing recent portfolio performance, account positioning and market outlook.

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

We maintain in-house client relationship and business development personnel. In addition, we have an affiliated marketing entity located in the U.K. Please refer to Item 4 for more information regarding the U.K. marketing entity.

We do not compensate third parties such as finders and placement agents for client referrals.

#### **Item 15 – Custody**

##### ***Separately Managed Portfolios***

Separately managed portfolio clients select and contract with custodians, prime brokers and futures commission merchants, as applicable, of their choice to maintain the assets that they appoint us to manage. Our authority with respect to such assets under the applicable investment management agreements is typically limited to issuing instructions to the custodians, prime brokers and futures commission merchants, as applicable, to effect or settle trades (and other matters relating thereto). As such, we generally do not have possession, or the authority to obtain possession, of assets held in such portfolios in our role as investment manager.

We do, however, maintain certain controls to seek to protect against unauthorized access to such assets. We maintain access controls around the systems used by Portfolio Management and Trade Compliance to execute and approve trades, in order to ensure that trades are authorized. We also reconcile our records of client assets to the records provided by client custodians, prime brokers, futures commission merchants and administrators, as applicable, (although we note that our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies applicable to certain client assets). We urge each client to carefully review such statements and compare such official custodial records to any portfolio statements that we may provide.

##### ***Arrowstreet Sponsored Fund Assets***

The Arrowstreet Sponsored Funds maintain their assets at third-party custodians, prime brokers and futures commission merchants, as applicable. The selection of such third parties is ultimately determined by the governing body of the applicable Arrowstreet Sponsored Fund (e.g., the board of directors or other governing body of the applicable fund), and in many cases our firm or a member of our management team is a part of such governing body. Please refer to "Other Material Relationships" in Item 10 for more information in this regard.

As a result of our relationship to the Arrowstreet Sponsored Funds, we seek to ensure that certain measures are taken to safeguard these assets. We seek to ensure that each Arrowstreet Sponsored Fund maintains its assets with a custodian, prime broker or futures commission merchant (as applicable) that meets the requirements of a "qualified custodian" for purposes of the Advisers Act and that each Arrowstreet Sponsored Fund (and underlying investment fund, as applicable) is audited on an annual basis and that investors receive audited financial statements within 120 days of the end of the relevant fiscal year.

#### **Item 16 – Investment Discretion**

We accept authority to manage a client's assets on a discretionary basis pursuant to a written investment advisory agreement, including the authority to determine the securities or other assets to be bought or sold and the total amount of securities or other assets to be bought or sold, subject in some cases to restrictions agreed with the client in advance and set forth in the applicable investment advisory agreement or supplemental policies applicable to the client. We will accept reasonable limitations on our authority through client guideline restrictions, provided that such restrictions are generally consistent with our investment process and investment objectives. Typical contract provisions include:

- restrictions relating to what constitutes a permissible or authorized investment;
- restrictions relating to borrowing, leverage, short selling, currency hedging and use of derivatives;
- the client's ability to provide written instructions to us regarding the management of the client portfolio (generally subject to our right to object to such instructions); and
- selected exposure limits relative to the client's chosen benchmark.

We also have discretion in most cases to select broker-dealers, counterparties and futures commission merchants used to execute securities transactions and other transactions for our clients' portfolios. Please refer to Item 12 for information relating to our broker-dealer/counterparty selection process.

We also have discretion to restrict client portfolios from investing in certain securities for our own compliance purposes, which may include global regulatory sanctions (e.g., issuer or country based sanctions) and conflicts of interest.

### **Item 17 – Voting Client Securities**

When given discretionary voting authority by a client, we vote securities held in client portfolios (including the Arrowstreet Sponsored Funds) consistent with our fiduciary duty of care and loyalty and in a manner consistent with the best interest of our clients, and, in the case of benefit plans subject to ERISA, in the best interest of their plan participants and beneficiaries. We may, in limited circumstances, accept client directions or guidelines from clients regarding the voting of securities held in client portfolios. The authority to vote securities is typically set forth in the client's investment management agreement or other written client communication. If such authority is vested in our firm, we engage an independent third party proxy voting service to provide proxy voting services to the client portfolio.

We have retained a leading global proxy service provider to provide proxy voting services to our client portfolios. Such services include:

- monitoring global events affecting the issuers of securities held in client portfolios as required to cast informed votes;
- voting client portfolio securities, consistent with agreed upon voting policies and guidelines, in a timely manner; and
- maintaining certain records concerning the foregoing required by applicable law, rule or regulation, including requirements under regulations adopted by the SEC and the DOL.

We believe that engaging a third party proxy voting service provider is in the best interest of our clients because the service provider has a demonstrated comparative advantage relative to our firm's resources and expertise in this area. In particular, the service provider has:

- a large dedicated team of experts, researchers and thought leaders in corporate governance and ESG matters utilizing both subject-matter and local market expertise;
- global monitoring capabilities to identify corporate voting events, and public information related to such events, affecting issuers of securities held by client portfolios (including issuer proxy materials and updates thereto);
- robust benchmark proxy voting guidelines developed using its internal experience and expertise, as well as input from institutional investors and global issuers, supporting well-researched and informed votes;
- an established proxy voting technology platform; and
- appropriate compliance policies and procedures, including procedures for addressing material conflicts of interest in its business should any arise.

Further, we believe engaging a third party service provider for proxy voting services is in the best interests of our clients because corporate matters subject to shareholder votes tend to be less impactful to our investment process and our stated risk adjusted return objectives for our client portfolios. Our investment process utilizes quantitative methods that identify and incorporate investment signals into proprietary return, risk and transaction cost models. Our

investment professionals do not typically engage in traditional equity asset management activities, such as researching individual companies, reviewing or analyzing regulatory filings (such as annual and quarterly reports and proxy materials) or engaging directly with company executives. Our third party service provider has a demonstrated comparative advantage in this area.

We utilize the service provider's automated voting process, through which the service provider generally completes and submits our client portfolios' proxy votes in accordance with agreed upon voting policies without the votes being reviewed in advance by us. Since the service provider submits the votes without our prior review, we do not analyze soliciting materials released by an issuer after the service provider has made its voting recommendation but before votes are submitted (and we do not have any particular comparative advantage in this area relative to the service provider's established capabilities and processes). We do, however, assess (typically on an annual basis) the service provider's procedures to review such soliciting materials released by issuers, and have instructed the service provider to cast votes as close to the voting deadline as is reasonably practicable, so that the service provider can take such additional information into account in making voting decisions.

Our service provider maintains a set of benchmark proxy voting policies that are published on its official website. These policies are typically updated annually through its internal review process which takes into account feedback from the institutional investor community and global issuers on corporate and governance best practices. We review these policies on an annual basis prior to the policies being applied to client portfolios to determine whether we believe such policies are consistent with the objective of maximizing shareholder value.

Unless otherwise instructed otherwise by a client (which is not typical among our clients), we apply the service provider's benchmark proxy voting policies across all client portfolios uniformly. We believe a uniform set of guidelines is appropriate because we apply the same uniform investment process across all client portfolios with the same uniform investment objective of maximizing risk adjusted returns for our client portfolios. For clients that require a more customized policy (e.g., to address client specific policy matters), we will collaborate with such client and the service provider to develop a custom policy to address such requirements.

ESG matters are taken into account in our service provider's standard proxy voting policies that we review and consider on an annual basis. In addition, upon the request of a client, we can implement enhanced ESG specific voting procedures with respect to the securities held in such client's portfolio. For such clients, we contract with the service provider to cast votes based on a specialized proxy voting policy which is based on the Principles for Responsible Investment. The service provider then monitors events affecting the issuers of securities, as required, to cast informed votes based on these principles, make decisions on voting securities and maintain necessary records on the votes cast. We pay for the cost of such services. ESG specific voting procedures have been implemented in certain Arrowstreet Sponsored Funds that orient their portfolios on the basis of certain ESG factors. We do not expect to add ESG specific voting procedures to our other Arrowstreet Sponsored Funds.

We or our proxy voting service provider may determine that voting any particular security is not in a client's best interest, or voting may be subject to other limitations and, as a result, the proxy voting service provider may refrain from voting certain securities. The following are some limitations on the ability to vote proxies, or for votes to be registered, on behalf of client portfolios. This is not intended to be an exhaustive list.

- *Shareblocking Markets.* We may, in certain cases, refrain from voting if voting could potentially restrict our ability to sell out of a particular name for a certain duration. This is often the case in markets that follow the practice of "shareblocking." Since voting rights or trading rights can be affected in securities held in shareblocking markets, we generally instruct our proxy service provider to refrain from voting in shareblocking markets.
- *Securities Lending.* Certain clients engage in securities lending programs, under which shares of an issuer could be on loan while that issuer is conducting a proxy solicitation. As part of the securities lending program, if the securities are on loan at the record date, the client lending the security cannot vote that proxy. Because neither we nor our proxy service provider is generally aware of when a security may be on loan, these securities cannot generally be recalled prior to the record date, and, therefore, in most cases, the shares on loan will not be voted.
- *Prime Broker Rehypotheication.* Securities held at a prime broker may be subject to rehypotheication and could be rehypotheicated while that issuer is conducting a proxy solicitation. If securities are rehypotheicated at the record date, the proxy for that security cannot be voted. Because neither we nor our proxy service

provider are generally aware of when a security is rehypothecated, these securities (if rehypothecated) generally cannot be recalled prior to the record date, and, therefore, in most cases, the shares will not be voted.

- *Costs of Voting Proxies; Powers of Attorney and Other Documentation.* If we determine that the monetary and/or nonmonetary costs to the client of voting in a particular case are likely to exceed the expected economic benefits of voting, our proxy service provider may not vote. This is likely to occur, for example, in cases where particular documentation, a registration or a power of attorney is required for proxy voting in certain markets or specific meetings and a client has not provided (or facilitated) such documents with its custodian. As neither we nor our proxy service provider is privy to the specific client/custodian arrangements, it is the responsibility of the client and/or the client custodian to ensure the necessary documentation is in place for voting purposes.
- *Timely Communication of Proxies by Custodian.* Our ability to vote proxies on behalf of client portfolios is dependent, in part, on the effective and timely communication of proxies and related materials from the client's custodian to our proxy service provider. We may be unable to vote client proxies if such proxies and related materials are not received or are received too late to take action thereon. It is the responsibility of the applicable client custodian to vote proxies in accordance with instructions received from our proxy service provider.
- *Portfolio Termination.* In the event of a portfolio termination, we will manage proxies for any meeting having a record date on or prior to the effective date of such termination (which includes voting proxies for meetings occurring after such effective date, if the meeting record date occurred prior to termination). Reporting on such proxy votes following a portfolio termination is available upon request.

As a result of utilizing a third party proxy voting service provider, we believe conflicts of interest between our firm and a client in the proxy voting context will be rare.

We provide clients with monthly reports of votes cast on securities in their client portfolios. Clients can also contact Regulatory Compliance by calling 617-919-0000 or via email at [regcompliance@arrowstreetcapital.com](mailto:regcompliance@arrowstreetcapital.com) to obtain a copy of our proxy voting policy, the proxy voting guidelines of our service provider or a specific report of how securities were voted for their client portfolios.

## **Item 18 – Financial Information**

We are not aware of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients. We have not been the subject of a bankruptcy petition at any time.

\* \* \*



# ARROWSTREET CAPITAL

200 Clarendon Street, Boston MA 02116  
617-919-0000  
[www.arrowstreetcapital.com](http://www.arrowstreetcapital.com)

## Form ADV Part 2B Brochure Supplement January 8, 2024

This brochure supplement to the Form ADV Part 2A Brochure provides information about supervised persons of Arrowstreet Capital, Limited Partnership (Arrowstreet). If you have any questions about the contents of this brochure supplement, or would like an additional copy of Arrowstreet's Form ADV Part 2A Brochure, you may contact Kimberly Kelley, Arrowstreet's Chief Compliance Officer, by telephone at 617-919-0000 or by electronic mail at [regcompliance@arrowstreetcapital.com](mailto:regcompliance@arrowstreetcapital.com).



## Item 1 – Cover Page

### Peter L. Rathjens

Arrowstreet Capital, Limited Partnership  
200 Clarendon Street, Boston MA 02116  
617-919-0000  
www.arrowstreetcapital.com

January 8, 2024

## Item 2 – Educational Background and Business Experience

Mr. Rathjens (born 1959) currently serves as a member of Arrowstreet’s Investment team and holds a seat on the firm’s Investment Committee. From the firm’s inception in 1999 through December 31, 2023, Mr. Rathjens served as Arrowstreet’s Chief Investment Officer and chaired the firm’s Investment Committee. Prior to Arrowstreet, Mr. Rathjens served in various capacities at PanAgora Asset Management from September 1991 through July 1999 at which time he served as Chief Investment Officer. Mr. Rathjens also held the following positions at PanAgora Asset Management during his tenure: director of global investments, director of research and senior manager of research. Mr. Rathjens holds a Ph.D. and M.A. in economics from Princeton University, and a B.A. in mathematics and economics from Oberlin College.

Arrowstreet is registered as a Commodity Trading Advisor (CTA) and as a Commodity Pool Operator (CPO) with the Commodity Futures Trading Commission (CFTC), and is a member of the National Futures Association (NFA). Arrowstreet is also an Approved Swap Firm (ASF) with the NFA. Mr. Rathjens is a NFA “approved principal,” a NFA “associate member” and a NFA “registered associated person” of Arrowstreet in its capacity as a CTA and CPO. Mr. Rathjens is also a “swap associated person” of Arrowstreet in its capacity as an ASF. Additional information can be found on the NFA’s website ([www.nfa.futures.org](http://www.nfa.futures.org)).

## Item 3 – Disciplinary Information

Not applicable.

## Item 4 – Other Business Activities

Not applicable.

## Item 5 – Additional Compensation

Not applicable.

## Item 6 – Supervision

Arrowstreet’s investment process utilizes quantitative methods that focus on identifying and incorporating investment signals into its proprietary return, risk and transaction cost models. Portfolios are constructed through the use of a mean variance optimizer utilizing proprietary risk and transaction cost forecasts for future returns. Client portfolios are generally traded during scheduled optimization sessions.

Arrowstreet utilizes a team approach to the implementation of its investment process and the management of client portfolios. The firm’s Chief Investment Officer, Derek A. Vance, is responsible for the investment advisory activities of the firm and its team of investment professionals. Mr. Vance reports to the firm’s board of directors.

## **Item 1 – Cover Page**

### **Julia Yuan**

Arrowstreet Capital, Limited Partnership  
200 Clarendon Street, Boston MA 02116  
617-919-0000  
www.arrowstreetcapital.com

January 8, 2024

## **Item 2 – Educational Background and Business Experience**

Ms. Yuan (born 1989) currently serves as the Head of Alpha Development in our Research group and holds a seat on the firm's Investment Committee. She has been with the firm since July 2012. Ms. Yuan holds a B.A. in economics and in finance from Guanghai School of Management, Peking University, and Master's in Finance from Massachusetts Institute of Technology and is a CFA charterholder.

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## **Item 3 – Disciplinary Information**

Not applicable.

## **Item 4 – Other Business Activities**

Not applicable.

## **Item 5 – Additional Compensation**

Not applicable.

## **Item 6 – Supervision**

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## Item 1 – Cover Page

### Derek A. Vance

Arrowstreet Capital, Limited Partnership  
200 Clarendon Street, Boston MA 02116  
617-919-0000  
www.arrowstreetcapital.com

January 8, 2024

## Item 2 – Educational Background and Business Experience

Mr. Vance (born 1985) currently serves as Arrowstreet’s Chief Investment Officer and chairs the firm’s Investment Committee. He has been with the firm since April 2008. Prior to Arrowstreet, Mr. Vance worked for Goldman Sachs Asset Management from July 2007 to April 2008 as an analyst in the quantitative investment strategies group. Mr. Vance holds an A.B. from Harvard College and is a CFA charterholder.

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## Item 3 – Disciplinary Information

Not applicable.

## Item 4 – Other Business Activities

Not applicable.

## Item 5 – Additional Compensation

Not applicable.

## Item 6 – Supervision

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## Item 1 – Cover Page

### Manolis Liodakis

Arrowstreet Capital, Limited Partnership  
200 Clarendon Street, Boston MA 02116  
617-919-0000  
www.arrowstreetcapital.com

January 8, 2024

## Item 2 – Educational Background and Business Experience

Mr. Liodakis (born 1972) currently serves as Arrowstreet’s Head of Portfolio Management and holds a seat on the firm’s Investment Committee. He has been with the firm since August 2012. Prior to Arrowstreet, Mr. Liodakis served in various roles at Citadel Asset Management from October 2008 through August 2011, most recently as Managing Director, Global Equities Hybrid Strategies. He also served as Director of European Quantitative Equity Research for Citigroup Global Markets from July 2001 through August 2008, and as Managing Director for Citigroup Global Markets from January 2004 through August 2008. Mr. Liodakis holds a Ph.D. in finance from City University (CASS) Business School (London, U.K.), an MBA in finance from the University of Birmingham (Birmingham, U.K.) and a B.A. in economics and business from Athens University of Economics and Business (Athens, Greece).

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## Item 3 – Disciplinary Information

Not applicable.

## Item 4 – Other Business Activities

Not applicable.

## Item 5 – Additional Compensation

Not applicable.

## Item 6 – Supervision

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## Item 1 – Cover Page

### Christopher J. Malloy

Arrowstreet Capital, Limited Partnership  
200 Clarendon Street, Boston MA 02116  
617-919-0000  
www.arrowstreetcapital.com

January 8, 2024

## Item 2 – Educational Background and Business Experience

Mr. Malloy (born 1974) currently serves as the Head of Research. He has been with the firm since September 2019. Prior to Arrowstreet, Mr. Malloy was the Sylvan C. Coleman Chaired Professor of Financial Management at Harvard Business School from July 2007 to September 2019. Mr. Malloy holds a B.A. in Economics from Yale University, and an M.B.A. and Ph.D. in Finance from University of Chicago.

Arrowstreet is registered as a Commodity Trading Advisor (CTA) and as a Commodity Pool Operator (CPO) with the Commodity Futures Trading Commission (CFTC), and is a member of the National Futures Association (NFA). Arrowstreet is also an Approved Swap Firm (ASF) with the NFA. Mr. Malloy is a NFA “associate member” and a NFA “registered associated person” of Arrowstreet in its capacity as a CTA and CPO. Mr. Malloy is also a “swap associated person” of Arrowstreet in its capacity as an ASF. Additional information can be found on the NFA’s website ([www.nfa.futures.org](http://www.nfa.futures.org)).

## Item 3 – Disciplinary Information

Not applicable.

## Item 4 – Other Business Activities

Not applicable.

## Item 5 – Additional Compensation

Not applicable.

## Item 6 – Supervision

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