

# **PARK AVENUE INSTITUTIONAL ADVISERS LLC**

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## *Firm Brochure*

October 8, 2024

**This brochure provides information about the qualifications and business practices of Park Avenue Institutional Advisers LLC (“PAIA”). If you have any questions about the contents of this brochure, please contact Michael Bessel, Chief Compliance Officer, at (212) 919-2517. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about PAIA is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**PAIA is a registered investment adviser. Registration as an investment adviser does not imply a certain level of skill or training.**

## **2. Material Changes**

The following is a discussion of material changes since the last annual updating amendment dated March 27, 2024:

- **Assets under management.** Our total assets under management is \$74,861,034,562 as of August 30, 2024 of which \$69,756,384,979 represent the assets of Guardian and subsidiary insurance company general accounts. On August 17, 2024, Guardian and PAIA entered into a strategic partnership with HPS Investment Partners, LLC (“HPS”), in which HPS sub-advises a portion of Guardian assets including public high yield, investment grade private credit and real estate debt and equity. Further information is available under the heading “Advisory Business” herein.
- On August 17, 2024, PAIA assigned all of its rights, powers, duties, responsibilities and obligations under the Collateral Management Agreements and Collateral Administration Agreements to HPS in its nine collateralized loan obligations comprised of Park Avenue Institutional Advisers CLO Ltd 2016-1, Park Avenue Institutional Advisers CLO Ltd 2017-1, Park Avenue Institutional Advisers CLO Ltd 2018-1, Park Avenue Institutional Advisers CLO Ltd 2019-1, Park Avenue Institutional Advisers CLO Ltd 2019-2, Park Avenue Institutional Advisers CLO Ltd 2021-1, Park Avenue Institutional Advisers CLO Ltd 2021-2, Park Avenue Institutional Advisers CLO Ltd 2022-1 and Park Avenue Institutional Advisers CLO Ltd 2022-2.

## **Important Note about this Brochure**

*This Brochure is not:*

- *An offer or agreement to provide advisory services to any person;*
- *An offer to sell interests (or a solicitation of an offer to purchase interests) in any pooled investment vehicle (each a “Fund”), or*
- *A complete discussion of the features, risks or conflicts associated with any Fund or advisory service PAIA offers.*

*As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), we provide this Brochure to current and prospective clients and make it available to the public by filing it on the SEC’s Investment Adviser Public Disclosure website. Although this publicly available Brochure describes our investment advisory services and products, persons who receive this Brochure (whether or not from us) should be aware that it is designed solely to provide information about the investment advisory business of PAIA, as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure differs from information provided in other relevant documents applicable thereto including but not limited to a client’s organizational documents, offering documents and related transaction documents (“Governing Documents”). More complete information about each Fund is included in the Governing Documents, certain of which will be provided to current and eligible prospective investors only by the Fund or persons authorized to communicate with current or potential eligible investors by the Fund or on its behalf. Therefore, any discussion in this Brochure of the Funds advised by PAIA, including but not limited to the investments held, the strategies employed, the risks of investing in, the fees and costs associated therewith and the conflicts of interest faced by PAIA and its affiliates are qualified in their entirety by the respective Governing Documents. To the extent that there is any conflict between discussions herein and similar or related discussions in any such Governing Documents, Governing Documents shall govern and control.*

*No offer or solicitation for an investment in the offered securities of a Fund by the Firm will be made before the delivery of the relevant offering materials to potential investors who should read those materials carefully and consult with their tax, legal and financial advisors before making any investment decision.*

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#### **4. Advisory Business**

##### **Firm Description**

PAIA is a Delaware limited liability company that has been registered with the SEC as an investment adviser since March 9, 2015. Additional information about PAIA is available via the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

##### **Principal Owners**

PAIA is an indirect wholly owned subsidiary of The Guardian Life Insurance Company of America ("Guardian"), a New York mutual life insurance company and is a direct wholly owned subsidiary of Guardian Investor Services LLC ("GIS"), a Delaware limited liability company.

##### **Types of Advisory Services Offered**

PAIA offers investment advisory services to institutional clients for separately managed account mandates focused on a multi-sector bond strategy. This strategy seeks investment opportunities among a wide range of fixed income asset classes including investment grade, structured securities, and Treasuries. PAIA manages assets for Guardian's general account in investment grade strategies and also manages assets for Guardian and certain affiliates in other strategies that are similar to or different from those offered to other clients (assets managed for Guardian, its affiliates or their respective general accounts, "Guardian Assets"). The personnel providing portfolio management, trading and other services with respect to Guardian Assets can be the same as, or different from, those managing other client assets; however, PAIA generally uses the same or similar analytical and quantitative tools in managing other client's assets as are used in managing Guardian Assets.

In 2021, when PAIA began managing Guardian Assets pursuant to investment advisory agreements, the investment strategies were limited to high yield fixed income securities and bank loans. In October of 2022, PAIA commenced managing additional Guardian Assets including investment grade public fixed income, commercial mortgages, private placements, private equity and real estate. On August 17, 2024, Guardian and PAIA entered into a strategic partnership with HPS, in which HPS sub-advises a portion of the Guardian Assets including public high yield, investment grade private credit and real estate debt and equity.

For accounts where PAIA has discretionary authority, clients can impose reasonable directions, guidelines and limitations on PAIA's management. PAIA will endeavor to follow reasonable directions, investment guidelines and limitations as set forth in the client's investment advisory/management agreement. Although PAIA seeks to provide individualized investment advice to its discretionary client accounts, PAIA will not accept investment directions, guidelines or restrictions that PAIA believes, in its discretion, are unduly burdensome or materially incompatible with PAIA's investment approach.

PAIA serves as the investment adviser to Guardian Variable Products Trust, an open-end management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”), on behalf of its series (each, a “Guardian Fund and collectively, the “Guardian Funds”): Guardian All Cap Core VIP Fund, Guardian Balanced Allocation VIP Fund, Guardian Core Plus Fixed Income VIP Fund, Guardian Diversified Research VIP Fund, Guardian Equity Income VIP Fund, Guardian Global Utilities VIP Fund, Guardian Growth & Income VIP Fund, Guardian Integrated Research VIP Fund, Guardian International Equity VIP Fund, Guardian International Growth VIP Fund, Guardian Large Cap Disciplined Growth VIP Fund, Guardian Large Cap Disciplined Value VIP Fund, Guardian Large Cap Fundamental Growth VIP Fund, Guardian Mid Cap Relative Value VIP Fund, Guardian Mid Cap Traditional Growth VIP Fund, Guardian Select Mid Cap Core VIP Fund, Guardian Small Cap Core VIP Fund, Guardian Small-Mid Cap Core VIP Fund, Guardian Strategic Large Cap Core VIP Fund, Guardian Core Fixed Income VIP Fund, Guardian Multi-Sector Bond VIP Fund, Guardian Short Duration Bond VIP Fund, Guardian Total Return Bond VIP Fund and Guardian U.S. Government Securities VIP Fund. Each Fund, excluding Guardian Core Fixed Income VIP Fund, Guardian Multi-Sector Bond VIP Fund, Guardian Short Duration Bond VIP Fund, Guardian Total Return Bond VIP Fund and Guardian U.S. Government Securities VIP Fund, is sub-advised by a third-party investment adviser. Further information about each Guardian Fund’s investment objectives, policies and restrictions is contained in the current Prospectus and Statement of Additional Information (“SAI”) for the respective Guardian Fund.

Our advisory services to these registered investment companies, as well as conflicts of interest and risks, are described in each fund’s prospectus and SAI, which are available through the SEC’s EDGAR system.

As of August 30, 2024, PAIA manages \$74,861,034,562 , all on a discretionary basis of which \$69,756,384,979 are Guardian Assets.

## **5. Fees and Compensation**

### **Institutional Separately Managed Accounts**

Fees for PAIA services are computed and billed quarterly based on the total value of each client’s account (calculated by PAIA pursuant to its valuation procedures) and are typically payable in arrears as of a predetermined date. The investment advisory contract is cancelable by the client at any time, subject to any notice or other requirements set forth in the relevant contract. To the extent an advisory contract requires, or a client elects, to pay advisory fees in advance, such fees will be pro-rated for the period, based upon the average daily assets under management for the period, and refunded upon early termination of the investment advisory contract. PAIA basic fees for services are as follows:

#### **Fee Schedule for Investment Grade and Strategic Income**

0.50% per year on the first \$200 million  
0.40% per year for the remaining balance  
Minimum account size: \$50 million

The fees and services for each separately managed account mandate will be individually negotiated depending on factors such as asset class, portfolio complexity, client type, and account size or other special circumstances. Fees for management of Guardian Assets can vary from the fees charged to other clients. Fees and expenses paid by the registered investment companies are set forth in each registered investment company's prospectus and SAI. In addition to investment advisory and management fees, separately managed account mandates also bear other types of expenses, such as custody and audit fees, commissions, and transaction costs. Brokerage expenses and related trading costs are discussed more fully in Item 12.

### **Shared Expenses**

Certain costs and expenses are incurred for the benefit of, or are shared by, multiple clients, which can include Guardian Assets ("Shared Expenses"). Pursuant to its expense allocation policy and procedures, PAIA seeks to allocate Shared Expenses in a manner that is fair and equitable to such clients. In most cases, Shared Expenses are allocated *pro rata* based on assets under management or, where a Shared Expense relates to a particular investment, amount invested; however, PAIA can allocate certain Shared Expenses differently, if PAIA believes that doing so is appropriate under the circumstances. PAIA faces conflicts of interest in determining which clients benefit from a Shared Expense, and in allocating the burden of Shared Expenses, where PAIA (i) has differing pecuniary interests in relevant clients (e.g., performance related fees or where the client represents Guardian Assets), (ii) has agreed to cap expenses for one or more clients or (iii) where a client's Governing Documents prohibit that client from bearing a particular expense (in such cases, PAIA would, itself bear the expense, or a portion of the expense).

## **6. Performance-Based Fees and Side-By-Side Management**

Under appropriate circumstances, PAIA will consider entering into arrangements that provide for the payment of performance-based compensation based on the income generated, capital gains or capital appreciation generated in the client's account or some other measure of the account's performance. Performance-based fees can be paid in lieu of, or in addition to, PAIA's usual asset-based management fee. The management of accounts with performance-based fees alongside accounts without such fees can represent a conflict of interest as PAIA would have an incentive to favor accounts with performance-based fees in order to generate greater revenue for PAIA. A similar conflict can exist from managing client accounts paying a higher asset-based fee than other accounts or accounts containing assets owned by PAIA, its employees, or its owners. PAIA has adopted investment allocation policies and procedures to address these potential conflicts of interest. These policies and procedures are reasonably designed to monitor and prevent PAIA from inappropriately favoring one type of account over another. Portfolio managers can allocate executed trades in a different manner than indicated on the original allocation prepared at the time of order entry (e.g., non-pro rata) only if all client accounts receive fair and equitable treatment. In such cases, alternative methods of allocations can be designed in consultation with Compliance and documented accordingly. Additionally, the presence of a performance-based fee creates an incentive for PAIA to take greater investment risk in an effort to generate returns that yield a performance fee payment than it might take absent such a fee structure.

Further details on PAIA's investment allocation policies and procedures are provided in the Brokerage Practices set forth in Item 12 below.

## **7. Types of Clients**

PAIA provides investment advisory services to registered open-end management investment companies and to institutional clients (including Guardian and certain of its affiliates) for separately managed account mandates primarily focused on investment grade fixed income and short term investment strategies which excludes the Guardian Assets that have been sub-advised to HPS as described in Item 4 above. PAIA generally requires a minimum value for separately managed account assets under management of \$50 million. This minimum can be negotiated. Although PAIA manages other investment strategies and assets for Guardian and certain of its subsidiaries such as private equity funds, these investment strategies are not offered to external clients.

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

### **Methods of Analysis**

PAIA applies an active top-down and bottom-up analysis to construct an investment portfolio. PAIA uses a blend of fundamental research and quantitative tools to evaluate global economic conditions, opportunities, and risks across different segments of the fixed income market. The portfolio managers of PAIA adhere to a disciplined investment management process. Primary consideration is given to independent and proprietary credit research and analysis. In making investments, the portfolio managers select specific investments by considering a wide variety of factors, including yield, potential for appreciation in value, the credit quality of the issuer or collateral, maturity, and the degree of perceived risk associated with a specific investment relative to the potential for favorable investment returns and to other investments. Quantitative analytics are incorporated in identifying investment opportunities. PAIA seeks to actively manage credit and portfolio risk by a process that combines active fundamental credit analysis and quantitative risk management and by portfolio diversification across various industry sectors and issuers. Active credit risk management involves independent fundamental analysis, and frequent credit reviews to manage risks effectively and on a timely basis.

PAIA employs a quantitative and rigorous risk management process consistent with industry best practices. Investment risks are analyzed daily. Daily performance measurements and weekly attribution analyses are conducted to provide portfolio managers, traders and analysts with an independent feedback mechanism. Both risk management and performance attribution are performed by an experienced team of quantitative risk analysts. Portfolio performance, research and risk are evaluated daily using a variety of internal and external systems.

### **Investment Strategies and Risk of Loss**

PAIA provides investments advisory services to separately managed account mandates primarily focusing on investment grade fixed income strategies. Investments in these strategies are subject to many risks, including interest-rate, regulatory, liquidity, mortgage prepayment,



issuer or credit, and default risks. The following descriptions of strategy types and their investments are general in nature and can vary by client account. Client accounts are typically not diversified across asset classes and, therefore, are not intended to represent a complete investment program for an individual investor. Investing in securities involves risk of loss that clients should be prepared to bear, including by diversifying their investments as a whole.

Summaries of the risks associated with this strategy are described below. Not all of the risks listed will pertain to every client account and can be dependent on the type of investments made in the account. The risks listed below are not intended to be a complete description or enumeration of the risks associated with the strategies and methods of analysis used by PAIA. Recipients who invest or are considering an investment in any fund managed by PAIA should consult the relevant offering and disclosure documents for the fund for additional discussion of the risks associated with such an investment.

### **Fixed Income Risks**

Portfolios that invest in bonds and other fixed income securities are subject to certain risks, including but not limited to, interest rate risk, credit risk, prepayment risk and market risk, which could reduce the yield that an investor receives from his or her portfolio.

### **Interest Rate Risk**

The value of an investment can decline because of a change in interest rates. The negative impact on fixed income and debt instruments from potential interest rate changes could be swift and significant, including falling market values, and reduced liquidity that could adversely affect investment performance. The value of an instrument with a longer duration will be more sensitive to changes in interest rates than a similar instrument with a shorter duration. Clients can be particularly susceptible to an increase in interest rates given that interest rates are near historic lows. In addition, clients can be subject to the risk that the client's income will decline because of falling interest rates, including negative interest rates, if such client holds floating or variable rate debt securities or if an issuer fails to pay interest and principal in a timely manner.

### **Credit Risk**

The possibility that a bond issuer will not pay interest as scheduled or repay the principal at maturity also known as default risk.

### **Inflation Risk**

When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

### **Reinvestment Risk**

This is the risk that future proceeds from investments could have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.

### **Financial Risk**

Excessive borrowing to finance business operations increases the risk of loss if the company

is unable to meet the terms of its loan obligations. During periods of financial stress, the inability to meet loan obligations can result in bankruptcy and/or a declining market value.

### **Liquidity Risk**

When consistent with a client's investment objectives, guidelines, restrictions and risk tolerances, client portfolios can be invested in illiquid securities, subject to applicable investment standards. Investing in an illiquid (i.e., difficult to trade) security can restrict the ability to dispose of investments in a timely fashion or at an advantageous price, which can limit the ability to take full advantage of market opportunities.

### **General Risks**

There are general risks associated with investing. There is no guarantee that a client's investment objectives will be achieved. Investment returns will vary and there is no guarantee of positive results or protection against loss. If a security is denominated in a currency other than the U.S. dollar, there is a risk that the value of that security will be diminished due to fluctuations in the relative value of the foreign currency against the U.S. dollar. In some strategies PAIA uses derivatives, such as swaps, forwards, futures, options on futures and other options, which are subject to additional risks, including that the value of the derivative does not correlate with the value of the underlying security, rate or index, that portfolio volatility increases due to the leverage associated with the use of derivatives, and that the counterparty to the derivative is unable to satisfy its obligations or PAIA is not otherwise able to sell or close out its position. No warranties or representations are made by PAIA or its supervised persons concerning any of the investments described in this brochure.

### **General Market Risk**

Economies and financial markets throughout the world are becoming increasingly interconnected, which increases the possibilities that events or conditions in one country or region will adversely impact markets or issuers in other countries or regions. Securities in any one strategy can under-perform in comparison to general financial markets, a particular financial market or other asset classes, due to a number of factors, including inflation or expectations for inflation), deflation (or expectations for deflation) interest rates, global demand for particular products or resources, market instability, debt crises and downgrades, embargoes, tariffs, sanctions and other trade barriers, regulatory events, other governmental trade or market control programs and related geopolitical events. In addition, the value of a strategy's investments can be negatively affected by the occurrence of global events such as war, terrorism, environmental disasters, natural disasters or events, country instability, and infectious disease epidemics.

### **Counterparty Risk**

By its nature, investing in securities involves exposure to counterparty risk. The risk that the counterparty to a transaction will fail to perform its obligations under the transaction. This risk arises in the context of ordinary securities purchases and sales, where a counterparty could be unable to satisfy its obligation to deliver cash or securities necessary to settle the transaction, and is especially pronounced in derivative or other transactions that do not close or settle for an extended period of time and for which there is no central clearinghouse or other facility that requires daily mark-to-market valuations, margin payments or other protections that are

designed to reduce the financial impact of counterparty failure. In an effort to mitigate counterparty risk, PAIA has adopted policies and procedures governing the evaluation and monitoring of counterparties and the manner in which it enters into transactions with such counterparties. As part of these policies, PAIA reviews each counterparty through an initial approval process and then engages in ongoing monitoring to seek to identify changes in counterparty creditworthiness and to limit concentrated exposure to a single counterparty. While it is PAIA's general policy to mitigate counterparty risk by trading with a range of counterparties, at times PAIA will concentrate its trading in certain types of securities with a small number of counterparties or clearing firms, including in some cases a single counterparty, where it believes the risk of doing so is reasonable in relation to the benefits of such concentration.

### **Regulatory Risk**

PAIA is subject to a variety of laws and regulations that govern its operations. The laws and regulations affecting our business change from time to time, and we are operating in an environment of significant regulatory reform. Similarly, the businesses and other issuers of the securities and other instruments in which client accounts invest are also subject to considerable regulation. These laws and regulations are subject to change. A change in laws or regulations can materially impact a client account, a security, business, sector or market. For example, a change in laws or regulations made by the government or a regulatory body can impact the ability of a client account to achieve its investment objective, can impact the account's investment policies or strategies, or can reduce the attractiveness of an investment. A client account can also incur additional costs to comply with any new requirements as well as to monitor for compliance with any new requirements going forward. A client account can also be adversely affected by changes in the interpretation or enforcement of existing laws or regulations. PAIA is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940 (the "Advisers Act"), as amended. Being subject to SEC regulations can increase compliance costs, which could be borne by a client account and can affect the account's returns.

### **Cybersecurity Risk**

As the use of technology has become more prevalent in our business, PAIA has become more susceptible to operational and financial risks associated with cyber security. Like all businesses that use computerized data, the systems PAIA uses might in some circumstances be subject to a variety of possible cybersecurity incidents or similar events that could potentially result in the inadvertent disclosure of data to unintended parties, or the intentional misappropriation or destruction of data by malicious actors mounting an attack on computer systems. PAIA's parent Guardian maintains an information technology security policy and program that includes certain technical and physical safeguards intended to protect the integrity, availability and confidentiality of the data and the systems that store it and take other reasonable precautions to limit the potential for cybersecurity incidents, and to protect data from inadvertent disclosure or wrongful misappropriation or destruction. Nevertheless, despite reasonable precautions, cybersecurity incidents could occur and might in some circumstances result in unauthorized access to sensitive information about PAIA or its clients.

In addition, such incidents might cause damage to client accounts, data or systems. Furthermore, these systems can fail to operate properly or become disabled as a result of events or circumstances wholly or partly beyond PAIA or others' control. Technology failures, whether deliberate or not, including those arising from use of third-party service providers could have a material adverse effect on PAIA business or client accounts and could result in, among other things, financial loss, reputational damage, regulatory penalties, or the inability to transact business.

The occurrence of any of these problems could result in a loss of information, the inability to process client account transactions or calculate a client account value, violations of applicable privacy and other laws, regulatory scrutiny, penalties, fines, reputational damage, additional compliance costs or other consequences, any of which could have a material adverse effect on a client account. PAIA, through its monitoring and oversight of client account service providers, endeavors to determine that service providers take appropriate precautions to avoid and mitigate risks that could lead to such problems. However, it is not possible for PAIA or PAIA service providers to identify all of the cybersecurity or other operational risks that can affect an account or to develop processes and controls to completely eliminate or mitigate their occurrence or effects. Most issuers in which a client account invests are heavily dependent on computers for data storage and operations and require ready access to the internet to conduct their businesses. Thus, cybersecurity incidents could also affect issuers of securities in which a client account invests, leading to significant loss of value. A client account can incur substantial costs to prevent or address cybersecurity incidents in the future.

### **Uncertainty Risk**

Political, social and economic uncertainty creates and exacerbates risks and could impact our investment strategies, processes and methods of analysis. Social, political, economic and other conditions and events (such as natural disasters, epidemics and pandemics, terrorism, conflicts and social unrest) will occur that create uncertainty and have significant impacts on issuers, industries, governments and other systems, including the financial markets, to which client investments are exposed. As global systems, economies and financial markets are increasingly interconnected, events that once had only local impact are now more likely to have regional or even global effects. Events that occur in one country, region or financial market will, more frequently, adversely impact issuers in other countries, regions or markets, including in established markets such as the United States. These impacts can be exacerbated by failures of governments and societies to adequately respond to an emerging event or threat.

Although it is impossible to predict the precise nature and consequences of these (or similar) events, or of any political or policy decisions and regulatory changes occasioned by emerging events or uncertainty on applicable laws or regulations that impact us, our clients and their investments, it is clear that these types of events do (and will, for at least some time, continue to) have an impact that in many instances is adverse and profound. There can be no assurance that such emerging events will not cause a client to suffer a loss of any or all of its investments or interest thereon. A client would also be negatively affected if our operations and effectiveness or those of PAIA's affiliates or an issuer (or any of the key personnel or service providers of PAIA, its affiliates or the issuers in which PAIA invests) is compromised or if necessary or beneficial systems and processes are disrupted.

For additional risk disclosures relating to registered open-end management investment companies, current and prospective investors and clients should refer to the applicable prospectus.

PAIA does not provide legal or tax advice. Clients with tax or legal questions should seek a qualified independent expert for advice tailored to their specific circumstances.

## **2. Disciplinary Information**

Neither PAIA nor any of its management personnel have been the subject of any legal or disciplinary matters required to be disclosed that are material to a client's or prospective client's evaluation of our advisory business or the integrity of the firm.

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

PAIA is an indirect wholly owned subsidiary of The Guardian Life Insurance Company of America ("Guardian"), a New York mutual life insurance company and directly owned by Guardian Investor Services LLC ("GIS"), a Delaware limited liability company. GIS is a wholly owned subsidiary of Guardian. Park Avenue Investment Advisory, LLC ("PAA") is an indirect wholly owned subsidiary of Guardian and a direct wholly owned subsidiary of GIS. Park Avenue Securities LLC ("PAS"), a Delaware limited liability company is direct wholly owned subsidiary of Guardian. Guardian also wholly owns Guardian Broadshore, LLC, a Delaware limited liability company that owns approximately 85% of Broadshore Capital Partners, LLC ("Broadshore"), a Delaware limited liability company. PAS, PAA and Broadshore are registered investment advisers. PAS is also a registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA"). PAIA earns mutual fund management fees. In addition, Guardian's subsidiary, The Guardian Insurance & Annuity Company, Inc., is the issuer of variable annuity contracts and variable life insurance policies funded by the insurance company separate accounts that invest in one series of Victory Variable Insurance Funds that is sub-advised by PAIA and each of the series of Guardian Variable Products Trust that are advised by PAIA. Certain PAIA officers and managers are registered representatives of PAS.

Additionally, as noted above, certain of PAIA's clients are affiliates and the Guardian Assets constitute a material portion of PAIA's regulatory assets under management. Certain Guardian personnel are dually associated with PAIA ("Shared Personnel") and Guardian also provides certain back-office and other functions. Shared Personnel are compensated by Guardian, and PAIA reimburses Guardian for a portion of the compensation and other costs related to Shared Personnel.

Shared Personnel include portfolio managers, traders and others who often provide similar services for Guardian and, as such, could act in similar capacities for Guardian and PAIA in providing services to Guardian directly, to PAIA in managing Guardian Assets and to PAIA in managing other clients' assets. The relationship between PAIA and Guardian could create an incentive for Shared Personnel to favor Guardian or accounts constituting Guardian Assets over the accounts of other PAIA clients.

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

PAIA has a written code of ethics that requires its supervised persons, including persons with access to investment information ("Access Persons") to avoid activities, interests and relationships that might interfere or appear to interfere with making decisions in the best interests of clients. Access Persons must obtain prior clearance before engaging in personal transactions in securities, subject to limited exemptions as described in our code of ethics. All Access Persons must file an initial report of their holdings in non-exempt securities and affiliated mutual funds, report all personal securities transactions in non-exempt securities, and file an annual statement with respect to their personal securities holdings, within the time periods prescribed by the code of ethics. Access Persons are prohibited from profiting from short-term trading. No Access Persons can make personal use of material non-public information or engage in a securities transaction available only by reason of his or her position with PAIA or its affiliates; each investment opportunity by a PAIA client, including mutual funds, must first be made available to the client before the Access Person can take personal advantage of the opportunity. PAIA has policies and procedures in place to monitor the personal trading of all personnel involved in managing client portfolios. PAIA will provide a copy of the code of ethics to any client or prospective client upon request.

As noted above, portfolio managers of PAIA, including Shared Personnel, also manage Guardian Assets. Portfolio managers can make investment decisions and place trades for the Guardian Assets that are similar to those made for clients, or they can purchase or sell securities for one portfolio and not another, as appropriate in light of the investment objectives and strategies of each respective portfolio. Portfolio managers can place transactions on behalf of the Guardian Assets that are directly or indirectly contrary to investment decisions made on behalf of a client. To address these and other potential conflicts of interest, PAIA has adopted trade allocation policies and procedures, and has established monitoring procedures for compliance with each client's investment policies and with the code of ethics.

PAIA has adopted Insider Trading Policies and Procedures in accordance with Section 204A of the Advisers Act, which PAIA believes are reasonably designed to detect and prevent the misuse of material non-public information. The Insider Trading Policies and Procedures operate in conjunction with PAIA's Code of Ethics. In some cases, PAIA or Shared Personnel could come into possession of material non-public information. Under PAIA's Insider Trading Policies and Procedures, information barriers are maintained that are reasonably designed to assure that personnel who are anticipated to receive such information in connection with their investment activities are separated from other personnel not in receipt of such information. Where personnel have material non-public information, and an information barrier is not in place to limit that information from being imputed to PAIA generally, PAIA would be unable to purchase or sell securities of an issuer as to which it has such information or to share such information with clients, resulting in a constraint on client investments and an inability to take an action with respect to an investment that might otherwise have been taken in the absence of such information being present. In contrast, decisions by PAIA to refrain from receiving certain information that could constitute material non-public information about an issuer, could result in PAIA having less complete information in making an investment decision.

## **12. Brokerage Practices**

### **Research and Other Soft Dollar Benefits**

Soft dollars are defined as arrangements under which products or services other than the execution of securities transactions are obtained by an adviser from or through a broker-dealer in exchange for the direction of securities trades to the broker-dealer. Currently, PAIA does not obtain research through any third-party soft-dollar arrangements. PAIA does receive research services that are ancillary to the brokerage business from brokers that can be selected to execute client transactions and the quality and usefulness of research provided by brokers can be considered when allocating brokerage. Additionally, Guardian receives and Shared Personnel could benefit from research received from brokers in connection with trading activities on behalf of Guardian accounts that could be used to benefit other clients.

PAIA does not rely solely on research received from brokers for investment decisions and also considers research from Guardian's credit and quantitative research teams.

### **Brokerage for Client Referrals**

PAIA does not consider client referrals in selecting or recommending broker-dealers, although it can determine to execute transactions with brokers that could provide client referrals, where doing so is consistent with PAIA's duty to seek best execution.

### **Directed Brokerage**

PAIA currently does not have, or anticipate entering into, a directed brokerage arrangement with any client.

### **Best Execution**

PAIA places orders with the overriding goal of obtaining best execution at a fair, competitive brokerage cost. PAIA believes that best execution is significantly impacted by the choice of brokers and dealers (collectively, "brokers") used to execute individual trades. Brokers are selected primarily on the basis of the execution capability and trading expertise consistent with the effective execution of the transaction. As discussed above, PAIA can, in its discretion, use brokers that provide PAIA with research, analysis, advice and similar services to execute portfolio transactions on behalf of client accounts. In evaluating brokers for any transaction, PAIA considers those factors that it deems relevant to the particular transaction and on a continuing basis, including the breadth of the market in the security, the price of the security, the financial condition and execution capability of the broker and/or dealer, and the reasonableness of the bid-ask spread or commission, if any.

PAIA seeks to develop and maintain relationships with brokers it has determined to be competitive in the sourcing and pricing of securities that PAIA seeks to purchase or sell on behalf of its clients. Other important factors considered in the selection of brokers for fixed income strategy trades include, but are not limited to, the following: ability to execute and

settle the trade in a prompt, orderly and satisfactory manner; market impact of the trade; and confidentiality. PAIA has adopted policies and procedures for seeking best execution that incorporate the Funds' fixed income strategies and periodically reviews transaction cost analysis reports provided by a third-party vendor.

PAIA does not execute trades through any affiliated broker-dealers.

### **Order Aggregation**

PAIA allocates purchase and sale transactions among its clients and the Guardian Assets in a manner that it deems fair and equitable over time. Each account is reviewed to determine whether the purchase or sale of a particular security is appropriate considering the relevant investment objectives and restrictions, cash position, need for liquidity, sector concentration and other objective criteria. Consideration is also given to accounts which are ramping up or have sizable inflows or outflows of funds. PAIA strives to ensure that each transaction entered into is consistent with its duties to each client, including the duty to seek best execution. In general, the same investment personnel responsible for managing client assets are also responsible for managing Guardian Assets.

If orders for more than one account are aggregated, the order ticket will reflect the allocation of the order (or indication of interest). If the entire order is filled, the securities or proceeds will generally be allocated among the participating clients in accordance with the pre-trade allocation or indications of interest. If there is an insufficient amount of securities or sale proceeds to satisfy all clients (a "partial fill"), the securities or proceeds will be allocated pro rata based on the allocation each participant would have received if the order had been filled in its entirety according to the original pre-trade allocation or indications of interests, except in cases of rounding or immaterial quantities. For partial fills, it is possible that a pro rata allocation will not be possible or desirable. In these cases, PAIA's investment management team will seek to allocate the proceeds in a manner that is fair and equitable over time with consideration of a number of other factors based on PAIA's good-faith assessment of the investment opportunity relative to the objectives, limitations, and requirements of each client account. For example, PAIA can determine to allocate relatively more of an opportunity in a particular investment to accounts (including Guardian Assets) whose investment objectives involve concentration in investments of the type being allocated, provided that such allocations remain consistent with PAIA's allocation policies and its duty to promote fair and equitable treatment of clients over time.

Accordingly, PAIA will increase or decrease the amount of securities allocated to one or more accounts, if necessary, under certain circumstances. PAIA's allocation decisions among client accounts will potentially be more or less advantageous to any one account or group of accounts. As a result of these allocation issues, the amount, timing, structuring, or terms of an investment by a client account at times will differ from, and performance potentially will be lower than, investments and performance of other client accounts. Client accounts that either receive a less than pro rata or no allocation of an investment opportunity that performs well can experience lower performance overall. Conversely, accounts that receive a greater than pro rata allocation of an opportunity that ultimately underperforms could experience lower overall performance.



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

Each portfolio manager is responsible for managing their portfolios in a manner that is consistent with the portfolio's stated investment objectives, guidelines and restrictions. The portfolio managers accomplish this by having an in-depth knowledge of the investment objectives, policies and restrictions of the portfolios they manage. Each portfolio manager monitors adherence with the portfolio's investment guidelines and restrictions through ongoing access to a set of reports provided by internal systems, investment database, the pre-trade compliance system, and detailed risk reports provided daily by the quantitative risk team. The compliance department, under the supervision of the Chief Compliance Officer, also performs exception-based monitoring of investment restrictions on a post-trade basis.

#### **Institutional Accounts**

Each separately managed account mandate will be managed by a PAIA investment team, which will be assigned primary responsibility for the day-to-day management and ongoing monitoring of the account. The investment team's continuous review of an account includes the review of the appropriateness of portfolio holdings and transactions considering the account's investment objective, guidelines, and restrictions and changes in market conditions. In all cases, accounts are also subject to review by operations and compliance personnel, who monitor account trading on a daily basis with systems that incorporate pre-trade or post-trade compliance testing against many account guidelines and restrictions. On a quarterly basis, each investment team meets with PAIA's senior managing director for portfolio management to review portfolio holdings, characteristics, strategies, and performance attribution analysis.

#### **Registered Funds**

Registered funds' boards receive quarterly reporting packages and each fund's portfolio is managed by PAIA in a manner similar to that of Institutional Accounts (as described above).

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

PAIA does not make client referrals or solicit clients, nor does it pay any compensation for client referrals or solicitations.

### **15. Custody**

PAIA does not have custody of client assets within the meaning of Rule 206(4)-2 of the Advisers Act.

### **16. Investment Discretion**

Unless otherwise directed by a client, PAIA generally manages separate account mandates on a discretionary basis providing continuous investment advice pursuant to an investment management agreement that describes the investment services to be provided. Consistent with

the client investment objectives and subject to the client's Governing Documents, PAIA typically will have full investment decision making authority over the type of investments and brokerage for the client's accounts.

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

For separately managed account mandates, PAIA will not exercise voting authority with respect to client securities as established in the client's investment management agreement. Clients should receive their proxies and other solicitations directly from their custodian or transfer agent.

#### **18. Financial Information**

PAIA is not aware of any financial information or disclosures about its financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.