

INCOME RESEARCH + MANAGEMENT

**115 FEDERAL STREET, 22ND FLOOR
BOSTON, MASSACHUSETTS 02110-1884**

+1 (617) 330-9333

WWW.INCOMERESEARCH.COM

MARCH 28, 2024

This brochure provides information about the qualifications and business practices of Income Research + Management (referred to in this brochure as “IR+M”, “we”, “our” and “us”). If you have any questions about the contents of this brochure, please contact us at (617) 330-9333 or at compliance-firm@incomeresearch.com. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “SEC”) or any state securities authority. IR+M is registered with the SEC as an investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of IR+M provide you with information to assist you in determining whether to hire or retain IR+M. Additional information about IR+M is available on the SEC’s website at www.adviserinfo.sec.gov.



ITEM 2. MATERIAL CHANGES

This summary of material changes reflects only those made to the Brochure since our last update on March 30, 2023.

Item 4: We added language to reflect the change in form of organization to a Delaware Corporation.

Item 10: IR+M is not registered nor does it have an application pending to register as a broker/dealer. Several IR+M employees are currently registered, or have an application pending to register, as a registered representative of a third-party broker-dealer that is responsible for oversight required by FINRA. These employees are not employees of, nor compensated by, the third-party broker-dealer.



ITEM 3. TABLE OF CONTENTS

ITEM 2. MATERIAL CHANGES.....	2
ITEM 3. TABLE OF CONTENTS	3
ITEM 4. ADVISORY BUSINESS.....	4
ITEM 5. FEES AND COMPENSATION	4
ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	8
ITEM 7. TYPES OF CLIENTS	8
ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	9
ITEM 9. DISCIPLINARY INFORMATION	16
ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	16
ITEM 11. CODE OF ETHICS.....	17
ITEM 12. BROKERAGE PRACTICES	18
ITEM 13. REVIEW OF ACCOUNTS	22
ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION	22
ITEM 15. CUSTODY.....	23
ITEM 16. INVESTMENT DISCRETION	23
ITEM 17. VOTING CLIENT SECURITIES	23
ITEM 18. FINANCIAL INFORMATION.....	24

BROCHURE SUPPLEMENT(S)



ITEM 4. ADVISORY BUSINESS

Founded in 1987 and organized as a Delaware corporation, IR+M specializes in managing U.S. fixed income portfolios for institutional and private clients, several U.S. fixed income private investment funds, registered investment companies, and collective investment trusts for qualified investors. IR+M is privately owned largely by our employees and independent, having no subsidiaries, affiliates, or divisions. All business is conducted at our sole location in Boston, Massachusetts. Jack Sommers, our Executive Chairperson, is the only person who owns 25% or more of IR+M.

We focus our investment advisory business on the U.S. fixed income universe offering clients advice and services on broad and focused fixed income strategies. *Please refer to Item 8 below for a more detailed description of Methods of Analysis, Investment Strategies, and Risk of Loss associated with our investment strategies.*

We work closely with our clients to identify and understand their investment needs, and, based on their investment objectives coupled with our investment processes, provide discretionary or non-discretionary investment management services subject to agreed upon investment guidelines and restrictions. Such investment guidelines and restrictions may include, but are not limited to, the type or amount of securities to be bought or sold, maximum concentration in a sector or industry, minimum quality standards for rated securities, socially responsible criteria, maximum maturities, or, if desired by the client, certain environmental, social, and governance (“ESG”) factors which may include customized restrictions or minimum ESG ratings requirements.

We do not participate in any wrap fee programs.

As of December 31, 2023, we managed \$95,397,349,543 on a discretionary basis and \$1,592,228,047 on a non-discretionary basis.

ITEM 5. FEES AND COMPENSATION

We charge separate account clients and private investment fund members a management fee for the advisory services we provide (a “fee”). The fee we charge depends on several factors including client type, portfolio type, investment strategy, portfolio size, client service needs, existence of a pre-existing relationship, and other factors. All fee schedules are negotiable, and we may waive minimum account sizes for separately managed accounts or private investment funds at our discretion.

Should we agree to a performance-based fee for certain clients, such fees will be based on the value added relative to portfolio performance measured against a specific benchmark and capped at an explicit fee level. As of the date of this filing, we do not have any performance-based fees in place. *Please refer to Item 6 below for further information regarding performance-based fees.*

Separate Account Investment Management Fee Calculation and Rates

For separate account clients, we establish fees in a written investment management agreement and calculate fees based on the agreed annual rate for assets under management in that client’s portfolio(s). In certain circumstances, we may also agree to a most-favored nation clause. Additionally, some clients have directed us to calculate their fees based on account values provided by its custodian. In these cases, we rely on the valuation provided by the custodian.

To determine asset values under management for calculating fees, we use a third-party pricing service. In the absence of a third-party price, we use broker-dealer prices for individual securities. Our Investment Team evaluates the prices received from these methods against general market levels and trading activity that make markets in these and similar securities. If the Investment Team disagrees with the valuation provided by any



third-party pricing service, we retain the right to override the price. Our Chief Compliance Officer (“CCO”) must authorize all price overrides.

New issues not covered by a third-party pricing service may be priced from the new issue spread and based off the associated yield/swap curve, transaction price, or the last trade price if that date coincides with a month end. The security will continue to be priced based on one of those two options until either an approved pricing vendor starts pricing the security or the Investment Team, with the CCO’s approval, provides an alternative means for valuation.

Our separate account fees for the strategies listed below are normally based on the following annual rates and have a \$50 million minimum investment:

Core, Intermediate, Long, Corporate-Only, Mortgage Back Security-Only Portfolios

Accounts \$50 million to \$100 million:

0.30% on the first \$50 million
0.25% on the next \$50 million
0.20% on the next \$100 million
0.15% on amounts over \$200 million

Accounts over \$100 million:

0.25% on the first \$100 million
0.20% on the next \$100 million
0.15% on amounts over \$200 million

Core Plus Portfolios

0.35% on the first \$50 million
0.30% on the next \$50 million
0.25% on the next \$100 million
0.20% on amounts over \$200 million

Short Duration Portfolios

0.25% on the first \$50 million
0.15% on the next \$50 million
0.10% on amounts over \$100 million

Government Opportunity Portfolios

0.15% on all assets

Agency Portfolios

0.15% on the first \$50 million
0.10% on amounts over \$50 million

Short Diversified Income Portfolios

0.35% on the first \$100 million
0.30% on the next \$100 million
0.20% on amounts over \$200 million

Crossover Portfolios

0.35% on the first \$100 million
0.30% on the next \$100 million
0.20% on amounts over \$200 million

Extended Cash Portfolios

0.20% on the first \$50 million
0.15% on the next \$50 million
0.10% on amounts over \$100 million

Our separate account fees for the strategies listed below are normally based on the following annual rates and have a \$75 million minimum investment:

Convertible Bond Portfolios

0.35% on the first \$100 million
0.25% on the next \$100 million
0.20% on amounts over \$200 million

Liability Driven Investment (“LDI”) Portfolios

0.35% on the first \$100 million
0.30% on the next \$100 million
0.20% on amounts over \$200 million



Our separate account fees for the strategies listed below are normally based on the following annual rates and have a \$10 million minimum investment:

Municipal Bond Portfolios

0.25% on the first \$25 million
0.20% on the next \$75 million
0.15% on amounts over \$100 million

Private Investment Fund Investment Management Fee Calculation and Rates

For investors in private investment funds we manage, we document the fee in the member's subscription agreement. We calculate private investment fund fees based on the percentage of assets in a private investment fund member's capital account. Each private investment fund member pays the advisory fee separately and the private investment fund itself does not pay an advisory fee.

Each private investment fund's net asset value is calculated by its custodian who uses its official pricing sources as the primary source for calculating the value of each fund's securities. This may include fair market values determined in good faith by IR+M.

Our private investment fund fees for the strategies listed below are normally based on the following annual rates and have a \$5 million minimum investment.

Core Plus Private Investment Fund

0.44% on the first \$10 million
0.40% on the next \$10 million
0.35% on the next \$10 million
0.30% on the next \$20 million
0.275% on the next \$50 million
0.25% on amounts over \$100 million

Core, Core ESG, Intermediate, Long Private Investment Funds

0.39% on the first \$10 million
0.35% on the next \$10 million
0.30% on the next \$10 million
0.25% on the next \$20 million
0.225% on the next \$50 million
0.20% on amounts over \$100 million

Short Duration and ESG Short Private Investment Funds

0.25% on all assets

Short Credit Private Investment Fund

0.30% on all assets

Intermediate Treasury Inflation-Protected Security Private Investment Fund

0.10% on all assets



Our private investment fund fees for the strategies listed below are normally based on the following annual rates and have a \$2 million minimum investment:

California Crossover and Crossover Private Investment Fund

0.35% on the first \$5 million
0.30% on the next \$5 million
0.25% on amounts over \$10 million

Short Diversified Private Investment Fund

0.40% on the first \$5 million
0.35% on the next \$5 million
0.25% on amounts over \$10 million

Payment of Investment Management Fees

We provide invoices to our clients or their authorized representative and their qualified custodians and to private investment fund members. Clients and private investment fund members are invoiced in arrears in accordance with the terms of their investment management or subscription agreement. For new and terminated portfolios throughout the quarter, fees are prorated to align with the management period. Unless otherwise specified in the investment management or subscription agreement, fees are prorated to account for any capital contributions or withdrawals during the period. We do not have any performance-based fees and we do not permit clients or private investment fund members to pay fees in advance.

Clients and private investment fund members can elect to remit payment to us directly, authorize us to request withdrawal from their account via custodial partners, or authorize a third-party to remit payment on their behalf. All instructions must be submitted in writing by an authorized representative of the client or private investment fund member. Clients and private investment fund members are responsible for verifying the accuracy of the advisory fee because its qualified custodian will not determine if the advisory fee charged by us is calculated properly. Regardless of payment options, we provide invoices to our clients and their qualified custodians and private investment fund members.

Other Charges and Fees

Separate Accounts: Fees charged to separate account clients do not include brokerage commissions, spread costs associated with fixed income trading, transaction fees, or other related costs and expenses. Separate account clients may incur charges imposed by custodians, brokers, and other third-parties, which could include custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees, and commissions are exclusive of and in addition to our investment management fee. We do not receive any portion of these commissions, fees, and charges.

Private Investment Funds: The private investment funds we manage do not accrue expenses. IR+M bears all fund related expenses for routine professional services such as custody, audit, legal, and financial/tax preparation. Private investment fund members pay only a management fee to IR+M.

Please refer to Item 12 for a description of the factors we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation.

We serve as the manager, the investment adviser, sub-adviser, and the managing member to several private investment funds. When appropriate and permitted by the Employee Retirement Income Security Act of 1974 ("ERISA") and other applicable laws, our clients may invest in these funds. The fee structure for fund members could differ from separate account clients and as a result, we would receive direct or indirect economic benefits from investments in private investment funds that differ from those received from managing a separate



account. However, we will not make an investment or product recommendation with the purpose of benefiting our economic interests.

If our third-party pricing vendor does not value a security in a portfolio, or, if we deem that the price provided does not reflect fair value, we retain to override the price. This presents a conflict of interest when making recommendations regarding the value of such securities since our investment management fees are based on the value of assets under management. Our pricing policies and procedures mitigate this conflict effectively and enable us to value client assets fairly and in our clients' best interests.

ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Performance Based Fees

We do not currently have any performance-based fees. However, we may negotiate such an arrangement with individual clients in the future. All performance or incentive fee arrangements will be subject to Section 205 of the Investment Advisers Act of 1940 (the "Advisers Act") including the exemption set forth in Rule 205-3 under the Advisers Act. We would include realized and unrealized capital gains and losses as well as accrued but unpaid interest to measure asset values.

Performance-based fee arrangements create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a non-performance based fee arrangement. Performance-based fee arrangements also create an incentive to favor higher fee-paying portfolios in the allocation of investment opportunities. Our policies and procedures outline that we must treat all clients fairly and equally over time and prevent this conflict from influencing the allocation of investment opportunities among our portfolios. Additionally, employees are not compensated for portfolio performance for any portfolios we manage.

Side-by-Side Management

We manage portfolios for persons affiliated with us, portfolios we have a direct interest in, and private investment funds that we have an interest in. For example, we may provide initial funding or otherwise invest in private investment funds we manage. Additionally, we serve as manager or sub-adviser to separately managed accounts, private investment funds, and registered investment companies including mutual and exchange-traded funds and manage these types of portfolios side-by-side.

Such arrangements create an incentive for us to favor certain portfolios over others. Our policies and procedures mitigate these potential conflicts of interest and allow us to manage all portfolios fairly and in the best interests of our clients.

Please refer to Item 12 for a description of our brokerage practices including broker selection and allocation.

ITEM 7. TYPES OF CLIENTS

We provide investment management services to a variety of client types including corporations, pension and profit-sharing plans, insurance companies, Taft-Hartley plans charitable institutions, foundations, endowments, municipalities, registered investment companies, private investment funds, collective investment trusts, trust programs, high net worth individuals, and other U.S. and international entities.

We serve as investment manager to the IR+M Collective Investment Trust ("CIT") for qualified retirement plans with third-parties serving as each CIT's trustee. We also serve as sub-adviser to several registered investment companies as appointed by each registered investment company's board. Fees and account minimums for these vehicles are set by the trustee and boards, respectively.

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Our overall investment philosophy, and method of analysis is consistent across all our fixed income investment strategies, is to construct portfolios that conform with our clients' investment objectives and risk tolerance. We believe that careful security selection and active portfolio risk management can lead to superior returns over the long-term (*i.e.*, a market cycle).

As such, we construct portfolios using a disciplined bottom-up investment approach to select what we believe to be the most attractive securities from the fixed income universe. Our goal is to purchase what we feel are inefficiently priced securities that when added to the portfolios we manage, provide attractive expected returns, reasonable risk exposures, and necessary liquidity. We do not predict the timing, direction, and magnitude of interest rate changes as doing so is very difficult and inconsistent; as such, we keep duration and yield curve exposure neutral to the respective benchmark within a client's portfolio. This philosophy has remained consistent since the inception of the firm.

Our fundamental analysis provides the basis of security selection with an emphasis on favorable credit, structure, and price characteristics. In addition, our approach allows us sufficient market agility to implement our best ideas by acquiring meaningful positions and participating in unique opportunities.

We strive to maintain a duration neutral position and a relatively neutral key rate exposure versus the respective benchmark. We do not position a portfolio based on a projection of interest rates and we typically do not buy non-dollar or emerging market issues. Our security selection process utilizes the following factors to identify a diverse mix of fixed income securities to create portfolios:

- + Credit: predominantly investment grade focused
 - strong fundamentals, collateral enhancement, and understandable risks
- + Structure: inherent attributes that create value
 - convexity advantage, yield maintenance, and covenants
- + Price: credit and structure benefits at a compelling price
 - yield advantage and cheap optionality

Investment ideas are evaluated by our Portfolio Managers at regular review meetings and on an ad hoc basis as necessary. Our Investment Committee is responsible for making overall decisions on sector targets and risk positioning. The Investment Committee's primary responsibility is to assess relative value across sectors, communicate overall risk preferences, and ultimately to distill asset allocation decisions into sector targets for each investment strategy. We primarily measure and assess risk with a third-party monitoring tool that calculates characteristics such as portfolio duration, convexity, spread duration, key rate exposure, sector exposure, and tracking error.

We also employ an integrated approach to incorporating ESG factors into our fundamental bottom-up credit research process. We conduct proprietary ESG analysis of certain investments and consider material environmental, social, and governance risks, opportunities, and issues, depending on the nature of the relevant investment. IR+M does not currently view certain types of investments, including cash and cash equivalents, such as Treasuries, as presenting ESG risks or issues.

Our Investment Team has developed a proprietary, sector-specific assessment of pertinent ESG issues that may affect the long-term viability of an issuer. Research Analysts use their sector expertise, along with industry guidance to identify key themes and issues affecting their sectors, with a focus on materiality. We view ESG analysis as an integral part of risk assessment when evaluating securities; ESG factors are one aspect of the analysis. Unless specifically directed by clients, our portfolios do not limit ESG Laggards, emphasize ESG Leaders, or otherwise implement negative screening criteria on the basis of ESG factors or other values-based

criteria. While this approach is applied generally within our investment process, we also offer positively tilted ESG strategies that emphasize ESG Leaders and limit ESG Laggards while often incorporating some commonly-used negative screens.

Investing in securities involves risk of loss that clients should be prepared to bear. Investing in the fixed income market is subject to certain risks including but not limited to market, interest rate, credit, call or prepayment, extension, issuer, liquidity, and inflation risk. While we actively seek to manage risk, our clients and investors could lose money in their portfolio(s) as a result of many factors such as:

- + **Market Risk:** Changes in the prices of securities due to general and sometimes rapid and/or unpredictable movements in the market often related to changes in economic conditions. Prices of securities may become more volatile due to general market conditions that are not specifically related to a particular issuer, such as adverse economic conditions or outlooks, adverse investor sentiment, changes in the outlook for corporate earnings, or changes in interest rates. The markets can also be significantly impacted by unpredictable events such as environmental or natural disasters or pandemics. These types of events may significantly reduce liquidity and marketability for certain securities, including bonds. When liquidity and marketability are reduced, it may be difficult to purchase and sell securities at desired prices or times. In such cases, clients may not achieve their intended level of exposure to certain sectors at favorable prices or when desired.
- + **Interest Rate Risk:** Interest rates go up causing the value of fixed income securities to decline. In order to mitigate interest rate risk, most investors choose an index with a duration that matches their time horizon or liability profile. At the portfolio level, we seek to reduce interest rate risk relative to the index by remaining duration and yield curve neutral to the chosen index. Duration is held within relatively narrow bands around the index. Key rate duration exposure is typically in-line with the index. As a result, duration and curve factors represent a relatively small portion of tracking error or performance risk relative to the benchmark.
- + **Credit Risk:** The issuer of a security defaults on its obligation to pay principal and/or interest or the price declines substantially due to a credit rating downgrade, anticipated downgrade, or other event. Credit risk is managed via traditional qualitative credit analysis, continuous monitoring of exposures, and ample diversification. On the corporate side, credit analysis considers factors such as industry fundamentals, financial trends, operating risks, market positions, evaluation of event risk, and strength versus peers. On the securitized side, credit risk is mitigated by our focus on Agency backed securities or those with sufficient subordination and/or credit enhancement. We perform extensive structural analysis and stress testing to value collateral characteristics and cashflow integrity. Regarding diversification, we generally will not own more than 2% of a non-Government backed issuer in order to mitigate idiosyncratic risk.
- + **Prepayment Risk:** During periods of declining interest rates, the issuer of a security exercises its option to prepay principal earlier than scheduled, forcing reinvestment in lower yielding securities. Future interest rate payments will not be paid when principal is returned early. Repayment may be reinvested in securities at a lower, prevailing rate. This risk is common with mortgage-backed securities during periods of falling interest rates.
- + **Extension Risk:** During periods of rising interest rates, the average life of certain types of securities may extend because of slower than expected principal payments. This may lock in a below market interest rate, increase the security's duration, and reduce the value of the security. This risk is common with mortgage-backed securities during periods of rising interest rates.
- + **Liquidity Risk:** Changes in market structure, periods of market volatility, or factors affecting a specific security may affect our ability to purchase desired securities, sell a security in a timely manner, or may force us to sell a security at a price that we consider to be below fair market value. This risk may increase during volatile or adverse market and economic conditions. The lack of an active trading market and/or volatile market conditions can make it difficult to obtain accurate prices/valuations for certain securities.

We seek to control liquidity risk at both the security and portfolio level in several ways. Our emphasis on investing in bonds of larger, recognized companies is generally associated with better relative liquidity. We favor larger issuers which typically have numerous outstanding issues, index deal sizes, and dealer sponsorships. There is a plethora of unique structural stories in the market, but many have very weak liquidity profiles. When purchasing these types of securities, we assess what the “liquidity premium” should be, so we can attempt to narrow the bid/offer spread upon purchase. We also review and discuss the overall exposure to less liquid issues so that portfolios have a sufficient degree of liquidity to meet any cash flow needs. In general, we strive to be able to liquidate any of our portfolios over the course of a few days if necessary.

- + **Tax Loss Harvesting Risk:** The effectiveness of a tax loss harvesting strategy is largely dependent on each client’s tax and investment profile, including investments made outside of IR+M’s advisory services. Therefore, there is a risk that the strategy used to reduce a clients’ tax liability in an IR+M portfolio is not the most effective strategy wholistically. To the extent that a client’s custodian uses a different cost basis or tax lot accounting, tax efficiencies may be greater or lower than IR+M’s estimates. Tax loss harvesting may generate a higher number of trades in an account due to our attempt to capture losses. This can mean higher overall transaction costs to clients.
- + **Reinvestment Risk:** Reinvestment risk is an important yet subtle component of long-term return. We reduce this risk by maintaining duration close to that of the chosen benchmark and by focusing primarily on securities with stable cashflows (e.g., non-callable issues). Embedded call and prepayment options are evaluated with proprietary quantitative models such that we can determine whether we are comfortable with the underlying cashflow variance irrespective of the future path of interest rates. One important component of reinvestment risk is the level of cash held by a portfolio. To mitigate this risk, we strive to keep our portfolios fully invested at all times.
- + **Counterparty Risk:** Trading securities involves counterparty risk. All of our trades are affected on a delivery versus payment basis and most have 0-3 day settlement terms such that there is relatively limited counterparty exposure. As a result, counterparty risk is essentially limited to market moves over short time frames from trade confirmation until settlement. IR+M has engaged in derivatives trades only in very limited circumstances and with client approval, and we follow strict trade margining protocols to cover daily market moves in such positions.

Additional risks include:

- + There is no guarantee that integrating ESG analysis will provide improved risk-adjusted returns over any specific time period. Additionally, investment strategies that exclude securities based solely on ESG criteria may not provide better risk-adjusted returns than those strategies that do not have such restrictions. We use third-party data sources for information regarding ESG issuers, which may not be accurate or complete. We will, in good faith, interpret such available information in a reasonable manner. Since socially responsible norms differ by region, we use our own proprietary assessments of material ESG issues and may also reference standards as set forth by recognized global organizations such as entities sponsored by the United Nations.
- + To the extent we invest in TBA mortgage-related securities or enter into "dollar roll" transactions, funds earmarked for payment of these obligations may be invested in securities that are longer in maturity than the settlement date. This is a common method of increasing return on a portion of a client’s investment portfolio, but it may be subject to additional market or credit risk.
- + Our judgment about the attractiveness, risk adjusted total return, relative value, or potential appreciation of a particular sector or security proves to be incorrect.

- + To the extent we invest significantly in corporate, asset-backed, and mortgage-related securities, a portfolio's exposure to credit, prepayment, and extension risks may be greater than if the portfolio were invested in other fixed income instruments.
- + Operational risks arising from factors such as processing errors, human errors, inadequate or failed internal or external processes, fraud, failure in systems and technology, changes in personnel, and errors caused by third-party service providers. These factors may result in losses to a portfolio. *Please refer to our Error Correction Policy outlined below.*

Clients should be aware that there are additional risks when investing in the types of fixed income instruments which may be included in their portfolio. These types of fixed income instruments include:

- + **Government Securities Risk:** Not all U.S. government securities are backed by the full faith and credit of the U.S. government. It is possible that the U.S. government would not provide financial support to certain of its agencies or instrumentalities if it is not required to do so by law. If a U.S. government agency or instrumentality defaults and the U.S. government does not stand behind the obligation, returns could be negatively impacted. The U.S. government guarantees payment of principal and timely payment of interest on certain U.S. government securities.
- + **Municipal Securities Risk:** Municipal securities are subject to the risk that legislative changes and local and business developments may adversely affect the yield or value of investments in such securities. In addition, in order to be tax-exempt, municipal securities must meet certain legal requirements. Failure to meet such requirements may cause interest received on the municipal securities to be taxable. Changes or proposed changes in federal tax laws may also cause the prices of municipal securities to fall and adversely affect an investment.
- + **Mortgage-Related and Other Asset-Backed Securities Risk:** Mortgage-related securities include pass-through securities, collateralized mortgage obligations ("CMO"), commercial mortgage-backed securities ("CMBS"), mortgage dollar rolls, CMO residuals, stripped mortgage-backed securities, and other securities that directly or indirectly represent a participation in or are secured by and payable from mortgage loans on real property. The value of some mortgage- or asset-backed securities may be particularly sensitive to changes in prevailing interest rates. Early repayment of principal on some mortgage-related securities may cause a lower rate of return upon reinvestment of principal. When interest rates rise, the value of a mortgage-related security generally will decline. However, when interest rates are declining, the value of mortgage-related securities with prepayment features may not increase as much as other fixed income securities. The value of these securities may fluctuate in response to the market's perception of the creditworthiness of the issuers. Mortgage-related securities may also pose credit risk. Because the assets providing cash flows to a mortgage-related security may be composed of mortgage loans, the holders of such mortgage-related securities are subject to default and delinquency risks. If mortgage borrowers are delinquent or default on their payments, the holders of mortgage-related securities may not realize full repayment of their investment or may experience delays in the repayment of their investment. The credit risk of mortgage-related securities depends, in part, on the likelihood of the borrower paying the promised cash flows of principal and interest on time. The credit risk of a specific mortgage-related security may be influenced by a variety of factors including: (i) the mortgage borrower's lessened ability to repay in light of changed circumstances, such as a job loss, (ii) the borrower's ability to make higher mortgage payments which may result from floating-rate interest resets, (iii) declines in the value of the property which serves as collateral for the mortgage loan, and (iv) seniority or priority of the specific mortgage-related security relative to other claims on the cash flow from the pool of mortgage loans.
- + **High Yield Securities Risk:** We may invest in securities with below investment grade ratings. In addition, we may determine to retain a security if it is downgraded to below investment grade after purchase. High yield securities are speculative and involve a greater risk of default and price change due to changes in the issuer's creditworthiness or the risky nature of an investment for which limited or no recourse to the

issuer is provided. The income on and market prices of these debt securities usually fluctuate more than that of investment grade debt securities and may decline more significantly in periods of general economic difficulty. As a result, a portfolio may be subject to greater levels of price volatility by investing in, or maintaining its investment in, high yield securities and unrated securities of similar credit quality. High yield debt instruments are more vulnerable to changes in interest rates and inflation, in part because leveraged or overextended issuers and investments are more sensitive to adverse changes. Below investment grade securities also tend to pose greater risks of illiquidity than higher-quality securities. Some are not registered under the Securities Act of 1933 and/or do not trade frequently. When they do trade, their prices may be significantly higher or lower than expected. As a result, high yield debt instruments also generally pose a greater risk of being valued incorrectly by the market. An economic downturn, a period of rising interest rates or increased price volatility could adversely affect the market for these securities, and reduce the number of buyers, should the need arise to sell these securities. Should an issuer declare bankruptcy, the entire investment in that security could be lost.

- + **Convertible Securities Risk:** Convertible securities include corporate bonds, notes, preferred stocks, or debt-securities of issuers that can be converted into (that is, exchanged for) common stocks or other equity securities at a stated price or rate. Convertible securities also include other securities, such as warrants, that provide an opportunity for equity participation. Because convertible securities can be converted into equity securities, their value will normally vary in some proportion with those of the underlying equity securities and, therefore, when the market price of the equity interest underlying a convertible security decreases in response to the activities and financial prospects of the company, the value of the convertible security may also decrease. Due to the conversion feature, convertible securities generally yield less than non-convertible fixed income securities of similar credit quality and maturity. Investments in convertible securities may at times include securities that have a mandatory conversion feature, pursuant to which the securities convert automatically into common stock at a specified date and conversion ratio, or that are convertible at the option of the issuer. When conversion is not at the option of the holder, we may be required to convert the security into the underlying common stock even at times when the value of the underlying common stock has declined substantially.
- + **Collateralized Loan Obligations (“CLOs”):** We may invest in CLOs or similar securities, which are subject to credit, liquidity, correlation, and interest rate risks. A CLO is a type of structured credit instrument that purchases a pool of bank loans made to businesses that may be rated below investment grade, and issues secured and unsecured debt securities with different risk/return profiles as well as equity securities. CLO securities purchased may be unrated or non-investment grade. Unrated and non-investment grade CLO securities, and in particular equity securities, are subject to a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the related issuer or obligor to make payments of principal or interest. Such investments may be speculative. In addition, if a portfolio is a holder of CLO equity, the portfolio will have limited remedies available in the event of a default of the CLO. The value of the CLO securities generally will fluctuate with, among other things, the financial condition of the obligors on or issuers of the underlying portfolio of loans of the CLO (which may be below investment grade and therefore subject to volatility and risk of loss), general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Consequently, holders of CLO securities must rely solely on distributions on the CLO collateral or proceeds thereof for payment in respect thereof. If distributions on the CLO collateral are insufficient to make payments on the CLO securities, no other assets will be available for payment of the deficiency and following realization of the CLO securities, the obligations of such issuer to pay such deficiency generally will be extinguished. In addition, the lack of an established, liquid secondary market and/or trading restrictions for some CLO securities (CLO equity securities in particular) may have an adverse effect on the market value of those CLO securities and will in most cases make it difficult to dispose of such CLO securities. Therefore, if we decide to dispose of any particular CLO security, no assurance can be given that we will be able to dispose of such CLO security at the prevailing market price, if at all.

- + **Exchange Traded Funds (“ETFs”):** We may invest in ETFs. These instruments seek to directly or inversely correlate with a particular index or basket of securities, without regard for or analysis of the prospects of the constituent securities. An index-based ETF may invest in all the securities in such index or in a representative sample of such securities or sectors. As a result, ETFs generally will not attempt to take defensive positions in volatile or declining markets or under other conditions. The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, which could include risks associated with the particular securities or sector(s) in which the ETF invests. In addition, the lack of liquidity in an ETF could result in its share price being more volatile than a direct investment in the underlying instruments. Although ETFs generally will be listed on securities exchanges, there can be no assurances that an active trading market for such ETFs or other financial instruments will be maintained. By investing in ETFs, portfolios will bear two layers of fees and expenses. ETFs have management fees that increase their costs. As a shareholder of an ETF, a portfolio would bear its pro rata portion of the ETF’s expenses, including advisory fees. These expenses would be in addition to the fees and other expenses that a portfolio bears directly in connection with its own operations.
- + **Closed-End Funds:** We may invest in closed-end funds which are funds with a fixed number of shares outstanding that, unlike a mutual fund or other open-end funds, are not redeemable upon demand. Publicly listed closed-end funds behave more like stock than open-end funds: closed-end funds issue a fixed number of shares to the public in an initial public offering, after which time shares in the fund are bought and sold on a stock exchange, and they are not obligated to issue new shares or redeem outstanding shares as open-end funds are. The price of a share in a closed-end fund is determined entirely by market forces, so shares can either trade below their net asset value (“at a discount”) or above it (“at a premium”). To the extent we invest in closed-end funds that trade at a discount to their net asset value, performance could be adversely impacted. Closed-end funds that are not publicly listed will generally not have a secondary market and may be illiquid. By investing in closed-end funds, a portfolio will bear two layers of fees and expenses. Closed-end funds have management fees that increase their costs. As a shareholder of a closed-end fund, a portfolio would bear its pro rata portion of the closed-end fund’s expenses, including advisory fees. These expenses would be in addition to the fees and other expenses that the portfolio bears directly in connection with its own operations.
- + **Bank Loans:** The bank loan market – often referred to as the “leveraged loan” market – comprises debt from companies that issue such debt to fund capital needs such as mergers, acquisitions, leveraged buyouts, and general corporate purposes. Often the issuers of such debt have below-investment grade credit ratings. Bank loans are typically secured with a lien on the company’s assets and generally rank senior to the company’s other debt. Bank loans are subject to greater levels of credit risk and liquidity risk than certain other securities. For example, leveraged loans are considered predominately speculative with respect to the issuer’s continuing ability to make principal payments. A downturn or period of risk aversion could adversely affect the market for leveraged loans and reduce the ability to sell its securities. In addition, unlike traditional corporate bonds, bank loans are private transactions. Rather than trading electronically on the over-the-counter market like most corporate bonds, bank loans often need to be physically delivered (by faxing or electronically delivering the paperwork, for example) to the buyer. This makes bank loans harder to sell and less liquid than most other types of corporate debt.
- + **Derivatives Risk:** The use of derivative instruments involves risks different from, and possibly greater than, the risks associated with investing directly in securities and other more traditional investments. Derivatives are subject to a number of risks, such as potential changes in value in response to interest rate changes, other market developments or changes in the counterparty’s credit quality and the risk that a derivative transaction may not have the effect we anticipated. If a counterparty becomes insolvent or otherwise fails to perform its obligations, there may be significant delays in obtaining any recovery from the counterparty in an insolvency, bankruptcy, or other reorganization proceeding and it is possible that no recovery, or only a partial recovery, would result. Derivatives also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not correlate perfectly with the asset, rate, or index underlying the derivative. Derivative transactions can create investment leverage, may be

highly volatile, and can result in losses that exceed the amount of capital invested. Use of derivatives other than for hedging purposes may be considered speculative. Many derivative transactions are entered into “over the counter” (not on an exchange or contract market). As a result, the value of such a derivative transaction will depend on the ability and the willingness of the counterparty to perform its obligations under the transaction. A liquid secondary market may not exist for derivative positions. Although the use of derivatives is intended to enhance performance, it may instead reduce returns and increase volatility. The derivative markets have seen recent regulations enacted both in the United States and international markets and we can anticipate additional future regulations to be issued. The extent and impact of the new and expected regulation are not yet fully known and likely will not be known until the market has an opportunity to comply with, and adapt to, the new regulations. New regulation of derivatives may make them more costly, may limit their availability, or may otherwise adversely affect their value or performance. Under recently adopted regulation, certain swaps are required to be executed through a centralized exchange or regulated facility and be cleared through a regulated clearinghouse. Additional swaps may face such regulations in the future. The market in such swaps could be disrupted or limited as a result of these regulations, which could adversely affect performance. Moreover, the establishment of a centralized exchange or market for swap transactions may not result in swaps being easier to trade or value and may result in a substantial increase in the cost of such transactions.

- + **Futures Contracts and Options on Futures Contracts Risks:** We may trade in futures contracts (and related options) on securities indices, U.S. government securities, currencies, and other financial instruments or commodities, a practice which may involve substantial risks. There is no assurance that a liquid secondary market will exist for futures contracts (or related options) purchased or sold, and a portfolio may be required to maintain a position until exercise or expiration, which could result in losses. Futures positions may be illiquid because, for example, most U.S. commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved to the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent us from promptly liquidating unfavorable positions and cause it to be subject to substantial losses. In addition, we may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or the Commodity Futures Trading Commission (“CFTC”) may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. In addition, the CFTC and various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity futures contracts and related options are highly specialized activities that may entail greater than ordinary investment or trading risks.
- + **Non-U.S. Security Risk:** Investments in securities issued by non-U.S. issuers may involve additional risks including political and economic risks specific to the country issuing the security. Additionally, these securities may be more sensitive to changes in trade policy, economic developments, political unrest, or regional risk than a U.S. issuer.
- + **Increased Government or Market Regulation:** While we regularly monitor legislative, regulatory, and other governmental actions that may impact our business, it is impossible to predict the impact of future regulation. Changes to regulations, tax code, or the overall regulatory environment may negatively affect the value of securities within a client’s portfolio, may hinder our ability to employ our trading strategies, or may increase the costs of trading.
- + **Market Instability Risk:** Changes in political conditions, geographic instability, pandemics, and/or terrorism, could have a disruptive effect on the securities markets and U.S. and worldwide economies. We cannot predict how long the securities markets and U.S. and worldwide economies could be affected by

these events, nor can we predict the effects on the investments in which we invest. This market and economic stability could have an adverse impact on the portfolios we manage.

- + **Cybersecurity Risk:** We increasingly rely on technology to conduct business operations. Reliance on proprietary or third-party technology leads to an increased exposure to cyber threats. These threats could result in adverse business impact, regulatory inquiries and/or proceedings, fines, financial loss, and reputational harm. We employ various enterprise-wide risk management strategies to ensure the firm operates with acceptable levels of risk. We focus on business risk management and reporting, vendor risk management, insurance management, physical security, technological security, business continuity, and internal and external control testing. Further, we continue to align ourselves with the National Institute of Standards and Technology (“NIST”) framework for cybersecurity. The NIST framework requires that we have certain best-practices in place, such as policies and procedures, access control methods, and incident response plans. In addition, we have a named Chief Information Security Officer (“CISO”) and developed a Cyber Incident Response Policy that includes protocols for internal and external communications. We also conduct Information Technology Security training for all employees annually. While we believe we have appropriate controls in place to address various cyber risks and threats, our systems could still be susceptible.
- + **Data and Systems Risk:** We rely on proprietary and third-party data for business and investment operations and decision making. Such data includes but is not limited to portfolio security characteristics, portfolio guideline and monitoring data, risk analyses, and other data indicating financial performance. We have limited means to ensure that third-party data are error-free, but we have controls in place to ensure that clients and firm/proprietary data is handled in a secure manner by third-party vendors.

The systems we use to access and maintain data may be housed onsite or hosted by a third-party. Despite our best efforts, these systems could be breached, disabled, or otherwise not operate properly by means outside of our control. This could result in adverse business impacts on us and the portfolios we manage and may lead to financial loss, reputational harm, and regulatory scrutiny.

ITEM 9. DISCIPLINARY INFORMATION

IR+M and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client or investor’s evaluation of our firm or the integrity of our management. We have no applicable information to disclose.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

IR+M provides investment advisory services to our clients. We do not engage in any other business activities. None of our employees have any relationships or arrangements with other financial services companies that pose a material conflict of interest.

IR+M is not registered nor does it have an application pending to register as a broker/dealer. Several IR+M employees are currently registered, or have an application pending to register, as a registered representative of a third-party broker-dealer that is responsible for oversight required by FINRA. These employees are not employees of, nor compensated by, the third-party broker-dealer.

IR+M is a Commodity Trading Adviser registered with the CFTC and is member of the NFA. The firm operates pursuant to a waiver granted under NFA Registration Rule 402 and therefore provides clients futures trading advice which is incidental to the securities advisory services provided by the firm to the client and such trading advice is for hedging or risk management purposes only.

ITEM 11. CODE OF ETHICS

We administer and enforce an Employee Code of Ethics (“Employee Code”) and a Non-Employee Code of Ethics to comply with Rule 204A-1 of the Advisers Act and Rule 17j-1 of the Investment Company Act of 1940. Both documents include provisions that describe our high standard of business conduct and fiduciary duty to our clients.

The Employee Code includes provisions relating to prohibitions on insider trading, restrictions on gifts and business entertainment, reporting of such gifts and business entertainment, personal securities trading procedures including pre-clearance and reporting obligations, outside affiliations, and restrictions on political contributions. All employees must acknowledge the terms of the Employee Code initially upon hire and annually thereafter as well as complete certain reports on a quarterly and annual basis. Lastly, we administer the Employee Code electronically through a third-party compliance software system.

The Employee Code applies to all employees (full and part-time employees, temporary employees, interns, and in some instances independent contractors) and certain immediate family members (each a “Covered Person”). Each IR+M employee and Covered Person must conduct all personal securities transactions in a manner that is consistent with the Employee Code to assist us in detecting and preventing any actual or potential conflicts of interest. Additionally, the Employee Code bans IR+M employees and their Covered Persons from misusing information about client portfolios, abusing his or her position of trust and responsibility, or taking inappropriate advantage of his or her position.

Provisions of the Employee Code include but are not limited to:

- Prohibitions on front running, short sales, and short-term trading.
- Pre-clearance requirements for transactions in certain securities, outside business activities, and political contributions.
- Reporting requirements including gifts and business entertainment, quarterly transaction and annual holdings reports, conflicts of interest disclosures, and automatic feed or duplicate broker reports.

IR+M employees cannot accept or give to any broker-dealer or union official any gift or entertainment of any material value without pre-approval by the CCO. IR+M employees and Covered Persons cannot leverage an IR+M employee’s position at IR+M to seek or accept gifts, favors, preferential treatment, or special arrangements of material value from a third-party.

As a firm, we will neither make contributions to any public officials or candidates for office nor pay any third-party to solicit government clients on its behalf. We will also not make any payments to foreign governmental officials or candidates for official positions for the purpose of influencing the foreign official’s decision-making process or to secure an unfair advantage. IR+M employees and Covered Persons must pre-clear all payments to foreign officials and political contributions. Political contributions are limited to a maximum of \$250 per candidate per election, can only be made if the IR+M employee and Covered Persons are entitled to vote for that candidate, and the candidate cannot influence investment manager hiring decisions for government funds.

The above information is a summary of the Employee and Non-Employee Codes. Copies of each policy are available, free of charge, upon request.

We believe the requirements of the Employee Code, as described above, are reasonably designed to minimize potential conflicts of interest between us and our clients and private investment fund members.

The Employee Code seeks to ensure that the personal securities transactions, activities, and interests of IR+M employees and their Covered Persons will not interfere with making decisions that are in the best interests of our clients and private investment fund members and implementing such decisions while allowing IR+M employees and Covered Persons to invest for their own accounts. Nonetheless, because the Employee Code

in some circumstances permits IR+M employees and Covered Persons to invest in the same securities as our clients, there is a possibility that an IR+M employee and Covered Persons might benefit from market activity by a client in a security held by such IR+M employee or Covered Persons. To mitigate conflicts of interest between us and our clients and private investment fund members, we monitor personal trading activity of both Employees and Covered Persons.

We act as the investment adviser for certain private investment funds and portfolios in which we and certain employees and affiliated persons of ours may have direct and/or indirect beneficial ownership. These private investment funds and portfolios may invest in the same or similar securities that we purchased or sold for a client's portfolio(s). Subject to satisfying the Employee Code, IR+M employees and Covered Persons may trade for their own accounts in securities which we recommended to and/or purchase for our clients.

ITEM 12 – BROKERAGE PRACTICES

Broker Selection and Best Execution

Clients typically give us full discretion to determine and to direct execution of portfolio transactions. When we are given such discretion, we select broker-dealers and/or counterparties to execute portfolio transactions with the primary objective to obtain the overall best combination of price and execution. Best price, giving effect to any brokerage commissions or other transaction costs such as markups or markdowns, are the primary criteria we use in selecting brokers for fixed income trades. In limited circumstances, we use Alternative Trading Systems to achieve our objectives. We favor brokers who exhibit the ability to effect trades that most closely conform to our price expectations.

The counterparties with whom we transact are selected based on their ability to provide overall best execution. Qualities we look for in our counterparties include: (1) financial stability, (2) a willingness to commit capital to fulfill orders, (3) assistance in finding liquidity and fulfilling difficult orders, (4) quality execution including accuracy, speed, best price and/or price improvement, (5) idea generation and market color, (6) making IR+M the “first call” in attractive situations because they know us and our strategies, and (7) solid administrative services including communication, response time, settlement efficiency and fairness in resolving disputes. To analyze financial stability, we use input from our research analysts covering the banking sector to help determine the financial health of our counterparties and to identify factors that could potentially impact the quality of the counterparty. Any dealers that we deem to be deficient in any of the areas above are removed from our list of approved counterparties. We maintain a list of approved brokers and counterparties.

Fixed income securities are purchased in public offerings from underwriters at prices that include underwriting commissions and fees. Fixed income securities are also purchased in the secondary market from issuers or broker-dealers. Brokerage commissions are uncommon in fixed income security trading.

Our Best Execution Committee monitors our practices outlined above. This Committee meets quarterly and consists of members of our Investment, Operations, and Compliance Teams. The goal of the Committee is to evaluate periodically and systematically the quality of broker services received, while amending procedures over time as changes occur in the market that give rise to improved execution.

Allocation of Investment Opportunities

Our policy is to allocate investment opportunities among our portfolios in a manner we believe to be fair and equitable to each portfolio over time. Allocating investment opportunities shall never favor any one portfolio over another and shall never favor us.

We manage portfolios with similar investment objectives and strategies and manage portfolios with different objectives or strategies that trade in the same securities. Despite these similarities, decisions about each portfolio's investments and the performance resulting from these decisions could differ.

As a result, we may not necessarily purchase or sell the same securities at the same time or in the same proportionate amounts for all eligible portfolios. We expect that portfolios with similar investment objectives may trade many of the same securities at the same time, although it may not be feasible to allocate a transaction pro-rata to all eligible portfolios. Because of this, not all portfolios will necessarily participate in the same investment opportunities or participate on the same basis. Our objective is to ensure that over time no portfolios are favored with respect to any available investment opportunities except where applicable law or portfolio investment restrictions dictate otherwise.

When making allocation decisions, we consider the following factors:

- + The portfolio's investment objectives and strategies;
- + The composition and characteristics of the portfolio relative to similar portfolios;
- + The cash flows and amount of investment funds available to each portfolio;
- + The amount already committed by each portfolio to a specific investment or sector;
- + Each portfolio's risk tolerance and the relative risk of the investment; and
- + The marketability of the security being considered.

Additionally, we seek to avoid creating odd lot or *de minimis* positions in any portfolio, allocating a smaller portion to portfolios for which the purchased security would be a peripheral investment and a larger portion to portfolios for which the security would be a core investment, satisfying demand with respect to a portfolio's relative cash position by allocating a small portion to portfolios with less cash or liquidity and a greater portion to portfolios with more cash or highly liquid investments, and allocating positions to a new portfolio that has been approved for trading at the same time of the trade allocation.

If after executing a trade, our Investment Team discovers that an investment is inappropriate to include in a portfolio, they can reallocate the ineligible portfolio's share of the trade among any eligible portfolios provided that the reallocation is appropriate for and in the best interest of the other participating portfolios and made on trade date before final allocations occur. The primary cause of post-trade reallocations is ineligibility. Post-execution allocations must comply with the same general guidelines set forth above for pre-execution allocations, must be consistent with the goal of treating all portfolios fairly and equitably, and must be approved by the CCO. If reallocation is required due to an error or if reallocation must occur after final allocations, we will follow our error correction procedures.

We may take an investment position or action for one portfolio that is different from a position or an action taken for another portfolio that has a similar investment objective. These decisions may adversely impact or benefit one or more portfolios, including portfolios in which we (or our related persons) may have an interest. We manage and mitigate these potential conflicts of interest by following policies and procedures concerning the allocation of investment opportunities among portfolios described in Item 12.

Trade Orders and Aggregation

We frequently decide to purchase or sell the same securities for several portfolios at approximately the same time. Whenever possible, orders to purchase or sell the same security for multiple portfolios are aggregated if we believe doing so will result in more favorable execution. We will not aggregate investment transactions for portfolios unless the transaction is consistent with each client's investment management agreement and investment objectives and restrictions.



Our ability to aggregate orders will be limited by client account restrictions such as dealer requirements, minimum transaction sizes, or other operational rules. Such limitations require IR+M to treat such accounts to be traded independently from the aggregate order. Market conditions and liquidity can limit our ability to aggregate trade orders. If we do not aggregate trades when we have the opportunity to do so, clients will likely pay higher prices.

We may batch a portfolio's trade with trades of portfolios affiliated with us, including private investment funds we manage only if we meet each of the following conditions: (1) the portfolios trades are treated equally with affiliated portfolio trades, (2) each affiliated and non-affiliated participant in the trade receives average execution and commissions, and (3) securities purchased or sold are allocated fairly and in accordance with our trade allocation procedures.

Investing New Accounts

Newly funded accounts are invested using the same allocation processes described in this section. Depending on the account size, funding type (e.g., cash, securities), and client guidelines, a new account may take up to 90 days to become fully invested.

New Issues and Secondary Offerings

When we decide to participate in a new issue or secondary bond offering, orders are fully communicated within the Investment Team. Portfolios are reviewed and tested for compliance (pre-trade rules are run to ensure we will not breach client guidelines). Once eligible portfolios have been identified, we determine the total number of bonds needed and the allocation for each portfolio. Orders are then placed and once filled, the bonds are allocated in accordance with the priority set by the allocation methods described in the Trade Allocation section above.

Client Transferred Securities

Often, clients fund accounts with securities. IR+M does not generally accept securities in which we do not typically invest or cover. Prior to accepting any security transfers, our Investment Team will review the securities, approve those we will accept, and determine to liquidate or to hold the transferred securities. If a client asks IR+M to execute transactions in securities that we do not cover, we will consider such requests on a case-by-case basis.

Cross Trades

We may determine that a cross trade is appropriate and in the best interest of certain client portfolios if one client portfolio purchases a security from another client portfolio that is selling the same security ("internal cross trades"). Eligible client accounts include all accounts except: (1) portfolios that expressly prohibit cross trades, (2) portfolios of registered investment companies, (3) portfolios governed by ERISA, (4) portfolios of IR+M private investment funds or collective investment trusts, (5) IR+M propriety portfolios, (6) portfolios owned by IR+M employees and their affiliates, and (7) any other portfolio deemed ineligible by IR+M Compliance.

When permitted by a portfolio, applicable law, and our policies and procedures, we may, based on guidance and best practices established through SEC no-action letters, execute internal cross trades in eligible client accounts if (1) each trade is consistent with the investment policies of each participating portfolio as reflected in each clients' investment guidelines, (2) the selling portfolio receives only cash, (3) no brokerage commission, fee (except for customary transfer fees or nominal brokerage commissions for effecting the transfer), or other remuneration is paid by the participating portfolios in connection with the transaction, and (4) a direct transaction between client portfolios should be effected at the independent current market price of the security, which should be (a) the last reported sale price for the security, if available or (b) if the last sale price is not available after due inquiry, the average of the highest current independent bid and lowest current independent

offer for the security, (c) the midpoint between the bid and ask price provided by an independent third-party pricing service, or (d) the bid/ask price provided by an independent fix income electronic trading platform.

Cross trades present a potential conflict of interest because we represent the interests of both the buying and selling portfolio. We may have an incentive to treat one portfolio more favorably than the other particularly in situations when one client pays us a higher fee than the other client. A cross trade involves the potential risk that the price of the security purchased or sold in the cross trade might not be as favorable as it would have been if the trade was executed in the open market. To address these conflicts of interest, our policies and procedures require that any cross trades be affected at the applicable independent current market price of the security, which is determined by reference to independent third-party sources. We monitor all cross trades to ensure policy adherence.

Directed Brokerage

Outside of transactions that may result in a prohibited transaction under ERISA, we typically do not agree to arrangements in which our clients limit our discretionary authority to select broker-dealers and/or counterparties. However, if we agree to directed brokerage instructions from a client, they must be in writing and the requesting client must acknowledge that they understand that such an arrangement may detract from our ability to obtain overall best execution, we may not be able to aggregate the requesting client's trades with the trades of other clients, and we will generally place the requesting client's trades after other client trades have been executed. We also request a list of eligible broker-dealers and the approximate target percentage or dollar amount for directed transactions. If the portfolio is subject to ERISA, we request documentation from the requesting client that the plan's participants will exclusively benefit from the product or service obtained through the directed brokerage arrangement.

Soft Dollar Relationships

We have no formal soft dollar arrangements. When transacting with a broker-dealer or counterparty, we may receive various forms of research. Any research received is used to service the portfolios we manage, consistent with the requirements of Section 28(e) of the Exchange Act of 1934. We do not trade with a broker-dealer or counterparty based on the research they provide and all transactions we enter into are done with a broker-dealer or counterparty that we believe can provide overall best execution.

By receiving research from a broker-dealer or counterparty, we may have an incentive to transact with the broker-dealer or counterparty based on our interest in the research, rather than achieving overall best execution for the portfolios we manage. Additionally, to the extent the research we receive is of value, we may avoid expenses that we might otherwise incur. We have policies and procedures that we believe adequately address these potential conflicts of interest.

Client Referrals

We do not use client brokerage commissions to compensate or otherwise reward broker-dealers for referrals.

We have agreed to compensate unrelated third-parties for referring clients located in continental Europe, the Middle East, and North Africa Region in accordance with Rule 206(4)-1 of the Advisers Act. We do not utilize any third-parties to assist in our marketing efforts within the United States.

Error Correction

Our goal is to identify and correct investment guideline and trade errors affecting portfolios that may occur and for which IR+M is at fault ("errors"). Errors can occur for a variety of reasons. As a result, the consequences and the required corrective measures that are appropriate may differ depending on the nature and cause of the error. Our goals in correcting errors are to:

- + Identify and analyze errors in a timely manner;
- + Correct errors;
- + Analyze the resulting gain or loss from correcting an error and ensure the affected accounts are in no worse a position as before the error occurred; and
- + Assess what reasonable actions are required to prevent a recurrence of the error.

Our CCO is responsible for reviewing all errors, determining appropriate corrective measures, and analyzing any corresponding gains or losses resulting from the error. The calculation of the amount of any gain or loss will depend on the particular facts surrounding the error and the methodology used by us may vary.

If our analysis determines the corrective action resulted in a net loss, we will reimburse the affected client's account. If our analysis determines the corrective action resulted in a net gain, the affected client will retain the gain. Gains and losses for the same account may be netted at the discretion of our CCO, if appropriate under the circumstances, and we will not compensate accounts for lost investment opportunities (*i.e.*, the failure to take advantage of investment or market improvements). Lastly, we will inform affected clients of corrective actions we have made, as well as the resulting gain/loss.

We may have a conflict of interest in connection with the identification and resolution of errors because we bear some or all the financial responsibility to correct an error. This may give us an incentive to determine that an error did not occur or, if one has occurred, to resolve it in a manner that minimizes the financial impact on us. We strive to make determinations in good faith, considering all circumstances of which we are aware including our own interests, standards under applicable law, and those outlined in our client's investment management agreement. This conflict of interest is heightened in cases where our client is a private investment fund for which we serve as manager, investment adviser, and in some cases as managing member. All error correction determinations for these private investment funds will be made by us. As a result, investors in private investment funds will not be informed that an error existed or how it was resolved. We seek to manage and mitigate these potential conflicts of interest by following our established policies and procedures.

ITEM 13. REVIEW OF ACCOUNTS

Members of our Investment Team regularly review portfolios we manage and we continuously track compliance with each portfolio's investment guidelines on a pre- and post-trade basis using a third-party trade order management system. The trade order management system is rules-based and our Investment Compliance Team codes a portfolio's specific investment guidelines into the system to allow for guideline monitoring. Only designated members of the Investment Compliance Team can change coding.

Our clients and private investment fund members receive portfolio information via monthly client statements. The reporting package contains portfolio holdings, purchase and sale transactions for the given period, and the performance of their portfolio versus their respective benchmark, if applicable, for the month/quarter, year-to-date, last twelve months, and since portfolio inception.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

We do not receive economic benefits for providing investment advice or other services from anyone who is not a client. We have engaged unrelated third-parties for client referrals in continental Europe and the Middle East and North Africa Region in accordance with Rule 206(4)-1 of the Advisers Act third-party. *Please refer to Item 12 for more information.*



Family members of employees and shareholders are currently employed by investment consultants, clients, and/or prospective clients with whom we do business. This may create an incentive for these external parties to recommend our firm to their clients.

In circumstances where our employee and the external parties' employee share the same household (e.g., a husband and wife), are shareholders, or when compensation is based on developing and maintaining client relationships, conflicts of interest may exist.

Employees may also serve as a trustee and/or board member of clients and/or private investment fund members. These employees are not compensated for their roles and we monitor for any actual or potential conflicts of interests as it relates to such roles.

ITEM 15. CUSTODY

Separate account clients are responsible for obtaining a qualified custodian to hold and maintain their assets and IR+M is not considered the official books and record keeper of client assets. However, under Rule 206(4)-2 of the Advisers Act, we may be deemed to have custody of certain client assets. One example is the ability to deduct fees from a client's custodial account. To maintain transparency, we seek to ensure that clients receive statements at least quarterly from each separate account client's qualified custodian. We urge clients to carefully review their custodial statements, compare them to the statements we provide, and inquire about any unexplained differences. Most commonly, statements may differ based on accounting procedures, reporting dates, or valuation methodologies of certain securities. *Please refer to Item 13 for a description of monthly statements.*

ITEM 16. INVESTMENT DISCRETION

Unless otherwise prohibited in an investment management agreement, we have discretionary authority to manage client assets. This allows us to select the types and amounts of investments for a client's portfolio without specific consent. Such investment discretion and any limitations are documented in the investment management agreement or other such documentation. Our policies and procedures ensure we exercise our investment discretion in a manner consistent with all applicable laws and regulations and in accordance with each clients' investment guidelines and restrictions.

ITEM 17. VOTING CLIENT SECURITIES

Proxy Voting

Holders of fixed income securities are not usually requested to vote proxies. As such, it is our policy that our clients be responsible for voting all proxies with respect to the securities held in their portfolio(s). We send all proxy voting ballots we receive promptly to the appropriate party.

Our Proxy Voting Policy addresses instances when we are responsible for exercising voting authority. When we exercise such voting authority, we apply the same guidelines for all portfolios in which we exercise voting authority. Our policy is to vote in accordance with the issuer's management recommendation absent countervailing considerations, and always vote in the best interest of our clients. Any proxy received on behalf of a private investment fund or collective investment trust will be voted pursuant to the guidelines set forth in our proxy voting policies and procedures.

A copy of our Proxy Voting Policy is available, free of charge, upon request. Clients may also request information on how we voted for any proxies on behalf of their portfolio.

Since IR+M is focused solely on providing investment management services, it is unlikely that a material conflict of interest will arise in connection with proxy voting. However, it is possible for a conflict of interest to arise during our proxy voting activities. Examples of such conflicts include an issuer who is soliciting proxy votes also has a client relationship with us, when one of our clients is involved in a proxy contest, or when one of our employees has a personal interest in a proxy matter. If such a conflict of interest arises, our CCO may consult legal counsel or members of senior management to determine proxy ballot voting to ensure we vote solely in the best interests of our clients.

Class Action/Legal Proceedings

Separately Managed Accounts: We will not advise or take any action on behalf of any client in any legal proceedings involving securities held in or formerly held in a portfolio. If we receive information relating to any legal proceeding, we will use best efforts to cooperate and assist clients in gathering information and documents regarding a portfolio that may be relevant to such proceeding.

Private Investment Funds: If we receive a notice of a legal proceeding involving securities purchased or sold by a private investment fund we manage; it is our general policy to participate in all legal proceedings in which one or more managed private investment fund(s) is eligible. However, we may determine not to participate in a legal proceeding for any number of reasons if we determine that the anticipated out-of-pocket costs associated with any potential recovery are likely to exceed the amount of the potential recovery or if the private investment fund intends to pursue its legal rights outside of the established class or other legal proceeding. Our CCO, after consultation with the applicable investment personnel, makes the decision on whether to participate in the proceeding.

ITEM 18. FINANCIAL INFORMATION

We have no financial commitments that impair our ability to meet contractual and fiduciary commitments to our clients and have never been the subject of a bankruptcy proceeding.