



# Longfellow Investment Management Co., LLC

Disclosure Brochure

Form ADV Part 2A

March 18, 2024

This brochure provides information about the qualifications and business practices of Longfellow Investment Management Co., LLC (hereinafter “LIM” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at 617-695-3504 or [Info@LongfellowIM.com](mailto:Info@LongfellowIM.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. LIM is registered with the SEC as an investment adviser; however, registration does not imply a certain level of skill or training.

Additional information about LIM also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with our Firm name or our CRD #104945.

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## **Item 2 – Material Changes**

The following is a summary of changes included in LIM's Form ADV (the "Brochure") dated March 18, 2024. This Brochure replaces the previous version dated March 20, 2023.

LIM believes that communication and transparency are the foundation of its relationship with clients and will continually strive to provide its clients with complete and accurate information, in a timely manner. LIM encourages all current and prospective clients to read this Brochure and discuss any questions you may have with us.

### **Material Changes:**

There have been material changes made to this Brochure since the last filing and distribution to clients which is summarized below.

**Item 4 - Advisory Business.** New section on model portfolio delivery. LIM offers non-discretionary recommendations in the form of equity model portfolios.

**Item 5 - Fees and Compensation.** Fees associated with model portfolio delivery are negotiated on a case-by-case basis.

**Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss.** Additional risks were added and/or clarified: loan risk; credit risk; concentration risk; and overall risk of loss, to name a few.

Further, effective 03/31/24, the following equity strategies will undergo a name change. There have been no changes to the respective strategy's philosophy, method of analysis, investment strategies, or potential risks.

- U.S. Equity Income strategy will be referred to as U.S. Large Cap Value strategy
- International Equity Income strategy will be referred to as International Large Cap Equity strategy
- Emerging Markets Equity Income strategy will be referred to as Emerging Markets Large Cap Equity strategy
- U.S. Quality strategy will be referred to as U.S. Quality Growth strategy
- Global Concentrated Equity Income strategy will be referred to as Global Concentrated Value strategy

In addition, there have been immaterial changes or additional clarification of sections in this Brochure since the last version that was published. LIM urges all clients to review the entire Brochure.

### **Future Changes:**

Periodically, we may amend this Brochure to reflect changes in our business practices, changes in regulations and routine annual updates as required by the securities regulators. This complete Brochure or a Summary of Material Changes shall be provided to each client at least annually and if a material change occurs.

Additionally, a Brochure may be requested by contacting Nicole Tremblay, Chief Compliance Officer, and General Counsel at 617-695-3504 or by email at [Compliance@LongfellowIM.com](mailto:Compliance@LongfellowIM.com).

Additional information about LIM is available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **Item 4 – Advisory Business**

### ***Firm Description***

LIM is a Massachusetts limited liability company (LLC) that was founded in May 1986 by two colleagues who formerly managed the corporate cash and pension assets for Polaroid Corporation. The Firm initially managed Merger Arbitrage and Short Duration fixed income strategies, and over the years, expanded its fixed income and absolute return offerings based on client demand. LIM now manages a broad range of fixed income, equity, and absolute return strategies across the maturity and quality spectrums for clients. In 2005, the ownership structure of the Firm changed from a limited partnership to an LLC to facilitate our goal of distributing ownership to existing employees. LIM became 100% employee-owned and remains so with a total of 18 principals. LIM is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration does not imply a certain level of skill or training.

As of December 31, 2023, Barbara McKenna is the only person who owns 25% or more of LIM.

LIM is a majority women-owned firm. In June 2010, it was first certified as a Women’s Business Enterprise by the Center for Women & Enterprise, a regional certifying partner of the Women’s Business Enterprise National Council.

In November 2014, LIM became a signatory to the U.N. Principles of Responsible Investing (PRI). LIM believes that the integration of environmental, social, and governance (ESG) behaviors into the fixed income credit research process is consistent with the Firm’s core philosophy of reducing downside risk and principal preservation.

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

LIM is an independent registered investment advisor that specializes in customized fixed income, equity, absolute return, and alternative investment strategies primarily for institutional clients in the United States. LIM provides discretionary portfolio management services for separately managed client portfolios tailored to those client’s individual needs. The Firm has authority to invest directly without obtaining client consent for each transaction. Each client portfolio is invested as specified in the client’s portfolio investment guidelines. Clients can impose restrictions on investing in certain securities or types of securities. As needed, LIM assists clients in determining risk and return objectives, defining portfolio guideline parameters that are consistent with those objectives, developing investment guidelines, and identifying an appropriate benchmark against which to compare portfolio performance. All accounts are managed to deliver a custom-tailored client experience. LIM’s current separate account advisory services cover the management of fixed income, equity, and absolute return strategies.

### ***Wrap Fee Program***

LIM provides fixed income portfolio management services as sub-adviser to a wrap fee program. The Firm does not manage wrap fee accounts differently from non-wrap fee accounts. LIM does not act as a sponsor to the wrap fee program. LIM receives a portion of the clients’ wrap fees as an investment management fee for its sub-advisory services. Clients that participate in wrap fee programs typically pay a bundled fee that covers services including investment management, custodial, client service, accounting, and trading/brokerage fees. Clients that participate in a wrap fee program should carefully review their individual contracts and disclosure documents provided by the wrap fee program sponsor for further details.

When LIM provides portfolio management services as sub-adviser to a wrap fee program, it contracts with the wrap fee program sponsor and will contract separately with clients participating in the wrap fee program. The contracts outline the investment management fee which LIM is paid for their portfolio management services. LIM does not deduct investment management fees for its sub-advisory services but is paid by the wrap fee program sponsor. Each client’s fees are further outlined in their agreements with the wrap fee program sponsor.

As with any client account, LIM is subject to the same fiduciary duty to seek best execution when transacting on behalf of the wrap fee program accounts. LIM will direct trades to the wrap fee program sponsor consistent with its duty to seek best execution. Due to the nature of LIM's investment strategy and the nature of investing in fixed income securities, the securities LIM targets for inclusion in client portfolios can often only be sourced by a limited number of brokers at any given time. Typically, the wrap fee program sponsor is unable to source these securities and LIM "trades away," meaning that it purchases the securities from other brokers that are not associated with the wrap fee program sponsor. "Trading away" is also sometimes referred to as a "step out" trade. In some instances, the wrap fee program sponsor may be able to source the securities but does not offer them at prices and quantities that allow LIM to purchase the securities from the wrap program sponsor consistent with its best execution duties. In these cases, LIM would also "trade away." Any time that LIM "trades away," a wrap fee program client may not receive all the benefits of the wrap fee program. LIM currently provides trading statistics to wrap fee program sponsors upon request and can provide those statistics to clients. Clients may wish to use this to assess the benefits of a wrap fee program.

### ***Model Portfolio Delivery***

LIM offers non-discretionary recommendations in the form of equity model portfolios. The equity model portfolios are managed by LIM's equity team in a similar fashion to the equity strategy's separately managed accounts, however deviations may occur from time-to-time based on a separately managed account(s) or model portfolio(s) requirements. Model portfolio delivery is available to unaffiliated investment advisors (the "Advisor") via a Model Portfolio Provider Agreement whereby LIM provides non-discretionary investment advisory services to the Advisor in the form of access to a model portfolio. The Advisor retains the sole responsibility of implementing the investment program and determining from time-to-time what securities will be purchased, retained, or sold, as well as the portion of the assets belonging to the Advisor's underlying clients.

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

As of December 31, 2023, LIM had \$17,000,577,298 in assets under management (AUM), all of which was managed on a discretionary basis. In instances where LIM has no discretion to affect trades and no supervisory responsibility over the assets through model delivery, LIM does not include these accounts in the total AUM but categorizes them as assets under advisement (AUA).

## **Item 5 – Fees and Compensation**

The description below of LIM's fees and compensation is intended to provide a summary of the more typical fee structures, and it is not intended to depict every fee or compensation arrangement. LIM's fees and compensation for investment management and advisory services are an annual rate that is a percentage of the assets under management in the portfolio. Custom fee schedules are used to accommodate customized portfolio strategies. LIM reserves the right to waive or reduce the tiered fee schedules as appropriate. The annualized fee structure ranges by strategy are as follows:

- LIM's asset-based fees for its fixed income strategies range from 0.05% to 0.50% and portfolios with a high-yield allocation of up to 15% may include an additional 0.05% per fee breakpoint when determining the standard fees.
- LIM's asset-based fees for its absolute return strategies are 0.50% plus a performance incentive fee of 10% of the annual return. Performance fees are not charged for periods of less than one year and are calculated and billed annually.
- LIM's asset-based fees for its equity strategies range from 0.25% to 0.60% annually based on a tiered schedule or a flat rate. LIM may charge an additional 0.05% for each fee tier for custom ESG/SRI strategies.

LIM assesses fees quarterly in arrears, unless a different arrangement is made with a specific client as detailed in the client's written investment advisory/management agreement. Rates and the calculation methodology are agreed upon with clients and are incorporated into each client's investment advisory agreement. LIM does not automatically deduct investment advisory fees from client accounts. Under LIM's standard fee calculation methodology, fees are based on the end-of-period market value of the assets of a given portfolio. The AUM is adjusted for client contributions and withdrawals made during the quarter, including initial contributions. Fees are negotiable for mandates based on considerations including their size, investment guidelines, servicing requirements, or overall relationship with LIM.

LIM's model portfolio delivery fees are negotiated on a case-by-case basis and are typically paid quarterly in arrears. The fees charged by LIM as the provider of the model does not include additional management fees, other expenses charged by the unaffiliated Advisor, or their designated third-party-platform, if any.

LIM's fees and compensation are exclusive of fees and expenses charged by custodians and broker dealers to the client's account, including but not limited to, brokerage commissions, transaction fees, interest on borrowings, borrowing charges for securities, and other trading costs which are incurred in the management of the client's account and paid by the client. Clients typically incur certain charges imposed by their custodian or prime broker. Mutual funds and exchange traded funds also charge internal investment management fees which are disclosed in each fund's prospectus. Such fees are exclusive of, and in addition to, LIM's investment management fee and LIM does not receive any portion of these commissions, fees, or costs. For additional information, refer to *Brokerage Practices* in *Item 12* below.

Neither LIM nor any of the Firm's supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

Performance-based fees are not charged for LIM's fixed income or equity strategies. Portfolios subject to performance-based fees, if any, are only permitted to be held by "qualified clients," as defined by Section 205-3 of the Advisers Act, or "qualified purchasers," as defined by Section 2(a)(51(A) of the Investment Company Act of 1940, (the "1940 Act") as amended. Performance fee arrangements are negotiated and included as part of the investment advisory agreement for each separately managed portfolio to which the fee applies. LIM did not charge any performance-based fees as of December 31, 2023.

In the absolute return strategy, LIM manages accounts that adhere to the same or similar investment strategies, as well as accounts that do not have the same investment strategies but target the same securities for purchase.

LIM recognizes that performance-based fees create conflicts of interest that require compliance monitoring and controls. For example, there is an incentive to make larger or more speculative investments than would be the case in the absence of performance compensation. In situations where a client pays smaller performance compensation (as a result of different compensation rates and structures, or otherwise) there is an incentive for LIM to favor a client account that pays higher performance compensation, for example, by allocating more opportunities to such account. LIM has implemented allocation policies and procedures designed to mitigate these conflicts of interest and treats all clients in a fair and equitable manner over time (discussed in more detail in *Item 12*) and that seek to ensure that strategy-appropriate investments are allocated among client accounts in what LIM deems to be in a fair and equitable manner. The allocation process is designed so as not to favor any one portfolio over another. For example, LIM allocates securities prior to transacting in those securities such that LIM will not know whether a particular transaction will be more or less profitable at the time of allocation.

## **Item 7 – Types of Clients**

LIM provides investment advisory and portfolio management services on a discretionary basis to a variety of institutional clients including, among others, banks, corporations, foundations, family offices, insurance companies, pooled investment vehicles, mutual funds, pension plans, Taft-Hartley plans, endowments, not-for-profit organizations, state/municipal governments, family offices, and high-net-worth individuals.

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

### ***Fixed Income Strategy***

For LIM's separately managed accounts, LIM begins the relationship by working with clients to establish their risk tolerance and return objectives. LIM's investment research and portfolio management processes are identical across fixed income strategies. However, every portfolio is individually managed to its specific guidelines and objectives, which provides flexibility to meet each client's unique requirements.

LIM follows a team-based approach in the management of portfolios. Portfolio managers are responsible for setting and overseeing portfolio policies with regard to duration, sector allocations, and monitoring portfolio risks. Ideas are shared openly and frequently between analysts and portfolio managers. Together they determine individual security selection and appropriate sizing.

LIM performs bottom-up fundamental research to determine the most attractive sectors and individual credits (securities/issuers). The team uses fundamental, technical, and valuation analysis in determining specific security selection, ultimately purchasing the security with the best risk-adjusted return potential given the client's particular liquidity needs and portfolio objectives. Because many of LIM's portfolio strategies are similar in structure, most issuers identified as attractive are held across all portfolios/products capable of investing in the securities with comparable return objectives and portfolio guidelines, differing by the specific issue's maturity. LIM seeks to execute security-specific transactions based on availability and an expected attractive risk-adjusted return profile. If a security does not meet these criteria at any given time, trading will not occur.

When guidelines allow, LIM incorporates these sectors/securities into portfolios:

- Corporate Securities
- Government Agency and Sovereign Issues
- Commercial Mortgage-backed Securities (CMBS)
- Residential Mortgage-backed Securities (MBS and RMBS)
- Asset-backed Securities (ABS)
- Treasury Notes and Bonds (including zero-coupons and TIPS)
- Municipal Securities (both taxable and tax-exempt)
- 144A Securities

The investment philosophy is based on the premise that the upside is limited in fixed income. Downside risk is substantial, so fixed income management should focus on analyzing and evaluating risk. LIM believes that the fixed income portion of an investment portfolio should earn incremental returns over Treasuries without a substantial increase in risk.

The defensive nature of the Firm's fixed income strategies is based on a platform of in-depth research and monitoring. LIM does not believe macro-based strategies, such as interest rate forecasting, can be implemented consistently and successfully over long periods of time. The team attempts to capitalize on a variety of structural inefficiencies and build higher yielding portfolios which exhibit lower volatility than the benchmark. LIM's bottom-up approach focuses on economic and financial factors including building portfolios bond by bond and selecting securities that, for non-economic factors, trade at attractive valuations. Diversification is used to minimize the

impact of event risk. In addition, the fixed income strategies integrate ESG analysis into the overall investment framework through the credit research process, and through a thoughtful portfolio construction process which allows LIM to manage a client's unique responsible investment needs.

Risk is inherent in all stages of the investment management process. LIM's research efforts focus on identifying risk and assessing appropriate risk-reward investments. Sectors and individual securities are evaluated by attributing yield spread to various risk elements including credit, call, event, and liquidity risk to identify attractive sectors and securities. The objective is to identify those investments that offer incremental return after risks are identified and understood. LIM believes that attractive sectors and securities exist because non-economic factors affect pricing, including supply/demand imbalances, analytical and/or administrative complexity, size constraints, and investor biases. As a result, LIM will transact in sectors and securities opportunistically, as they become available. In some instances, a client may direct LIM to raise cash or to liquidate an account. The securities sold by that client could represent an attractive risk-adjusted return to other clients that have cash or security positioning needs. If LIM can purchase these securities after they have been sold into the market, LIM will do so based on the security's return profile and in accordance with LIM's internal policies and procedures. LIM does not prearrange such transactions with a broker.

LIM uses quantitative models and tools as part of the process to quantify risks taken at the portfolio level as well as to evaluate issuer and sector risks and opportunities. Several proprietary tools allow for the monitoring of portfolios from both a top-down (curve, duration, sector, etc.) and bottom-up perspective (specific issuer and bond exposure). These tools ensure an adherence to the product's style, philosophy, and process and are also used in the research process.

### ***Fixed Income Strategy Investment Risks***

*All investing involves risk, including the risk of loss of a client's principal.*

The principal risks of investing in fixed income securities include:

**Active Management Risk** – LIM's investment strategy relies on its ability to assess the attractiveness, value, or potential appreciation of specific investments. When LIM's assessment does not align with the market's expectations, a client's performance will likely vary relative to the applicable benchmark and may underperform that benchmark.

**Interest Risk** - When interest rates go up, the value of fixed coupon debt securities will decline. Duration is a measure of the security's sensitivity to changes in interest rates. Securities with longer durations or maturities can lose more value due to increases in interest rates than securities with shorter durations or maturities.

**Reinvestment Risk** - Depending on the interest rates and availability of investment options when income is generated, income from investments is unable to be reinvested at a comparable rate of return and is invested in instruments with lower expected rates of return.

**Default Risk** - Regardless of the rating of a security, investors are subject to the risk that an issuer of the security will be unable or unwilling to make timely principal and/or interest payments.

**Credit Risk** - Fixed income securities are subject to the risk that the issuer, guarantor or insurer of an obligation, or the counterparty to a transaction may fail, or become less able or unwilling to make timely payment of interest or principal, or otherwise honor its obligations, or default completely. Changes in the actual or perceived creditworthiness of an issuer, or a downgrade, or default affecting a security, could affect the performance. Generally, the longer the maturity and the lower the credit quality of a security, the more sensitive it is to credit risk.

**Government Securities Risk** - U.S. government securities are not guaranteed against price movements due to changing interest rates. While some U.S. government securities are backed by the full faith and credit of the U.S. government, others are supported only by the credit of the government entity issuing the security which can



increase the risk of loss of investment. Securities that are backed by the full faith and credit of the U.S. government include Treasury bills, Treasury notes, Treasury bonds, and securities issued by the Government National Mortgage Association (GNMA), Small Business Administration (SBA), and the U.S. Development Finance Corporation (DFC) (formerly known as the Overseas Private Investment Corporation). Securities backed only by the credit of the government-sponsored enterprises issuing the security include securities issued by Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corp. (FHLMC) and the Tennessee Valley Authority (TVA), among others.

*Mortgage Securities Risk* - Mortgage-related securities can lose more value due to changes in interest rates than other debt securities and are subject to prepayment and call risk. During periods of declining asset values, difficult or frozen credit markets, swings in interest rates, or deteriorating economic conditions, mortgages can face valuation difficulties, become more volatile and/or become illiquid.

Mortgages respond to changes in interest rates differently than other fixed income securities due to the possibility of prepayment of the underlying mortgage loans. As a result, it can be challenging or impossible to determine, in advance, the actual maturity date or average life of a mortgage-backed security. Rising interest rates tend to discourage refinancing, with the result that the average life and volatility of the security will increase, exacerbating a decrease in market price. When interest rates fall, mortgages can also be volatile, and not gain as much in market value because of the expectation of additional underlying mortgage loan prepayments that must be reinvested at lower interest rates.

*Asset-Backed Securities (ABS) Risk* - ABS are collateralized by underlying assets and sometimes additional credit support is provided through credit enhancements by a third party or the security structure. Even with a third-party credit enhancement, there is still the risk of loss. The values of these securities are sensitive to changes in the credit quality of the underlying collateral, the credit strength of the credit enhancement, changes in interest rates, and, at times, the financial condition of the issuer. Some ABS receive prepayments that can change the securities' effective maturities. Like mortgages, ABS can lose more value due to changes in interest rates than other debt securities and are subject to prepayment and call risk. Additionally, during periods of declining asset values, difficult or frozen credit markets, swings in interest rates, or deteriorating economic conditions, ABS can face valuation difficulties, become more volatile, and/or become illiquid.

*Municipal Securities Risk* – Municipal securities have varying sources of repayment which can be subject to legal and insurance/third-party guarantee risk. Legislative changes can adversely impact the ability of an issuer to repay and negatively impact their credit ratings, which in turn can impact the price and liquidity of the securities. Certain municipal securities are insured or guaranteed by a third party; however, the underlying insurers' or third parties' creditworthiness must still be monitored to ensure their ability to support the securities that they have guaranteed or insured.

*Rule 144A Securities Risk* – Rule 144A securities are restricted securities that are purchased only by qualified institutional buyers in reliance on an exemption from federal registration requirements. Rule 144A securities can be less liquid if an adequate institutional trading market for these securities does not exist, and thus could trade at a discount to comparable securities.

*Loan Risk* – Senior loans, including bank loans, are subject to greater levels of credit risk, call risk, settlement risk, and liquidity risk. These instruments are considered predominantly speculative with respect to an issuer's continuing ability to make principal and interest payments and may be more volatile than other types of investments. An economic downturn or individual corporate developments could adversely affect the market for these instruments and reduce the ability to sell these instruments at an advantageous time or price. In addition, loans may not be listed on any exchange and a secondary market for such loans may be less liquid than markets for other more liquid fixed income securities. Consequently, transactions in senior loans may involve greater costs than transactions in more actively traded instruments. Restrictions on transfers in loan agreements, a lack of publicly available information, irregular trading activity, and wide bid/ask spreads, among other factors, may, in

certain circumstances, make senior loans more difficult to value accurately or sell at an advantageous time or price than other types of securities or instruments. Loans may have extended trade settlement periods, including settlement periods of greater than 7 days, which may result in sale proceeds not being immediately available. Loan agreements may impose certain procedures that delay receipt of the proceeds of collateral or require the advisor to act collectively with other creditors to exercise its rights with respect to a loan.

*Allocation Risk* - Fixed-income securities may be divided into the following asset classes: (a) U.S. Treasuries, (b) government-related securities, (c) corporate-issued securities, (d) securitized products, (e) preferred securities, and (f) foreign securities, as appropriate. Since an asset class will perform differently from other asset classes in a given strategy, varying asset class exposure will enhance or hinder performance if a strategy favors an underperforming asset class at a given time.

*Concentration Risk* – The risk that the strategy’s concentration in securities within a specific sector or region will cause the strategy to be more exposed to the price movements of issuers and developments in that sector or region. There is the potential for a loss in value of an investment portfolio or a financial institution when an individual or group of exposures move together in an unfavorable direction.

*ESG Integration Risk* - LIM may consider ESG non-financial factors in its selection and ongoing oversight of various asset classes, in addition to traditional financial factors. The relevance and weightings of specific ESG factors to or within the security selection and oversight process varies across asset classes, sectors, and strategies and no one factor, or consideration is determinative. When ESG factors are evaluated during the security selection and oversight process, LIM may rely on third-party data that it believes to be reliable, but it does not guarantee the accuracy of such third-party data. ESG information from third-party data providers may be incomplete, inaccurate, or unavailable, which may adversely impact the ability to consider ESG factors in the security selection and oversight process. An element of subjectivity and discretion is therefore inherent to the interpretation and use of ESG information. The process for conducting ESG assessments and implementation of ESG views in client portfolios, including the format and content of such analysis and the tools and/or data used to perform such analysis, may also vary by strategy. ESG factors may not be considered for each security that is evaluated and/or selected, and there is no guarantee that the consideration of ESG factors in the security selection process will result in the selection of security with positive ESG characteristics. Investors can differ in their views of what constitutes positive or negative ESG characteristics. Moreover, the current lack of common standards may result in different approaches to evaluating ESG factors. As a result, LIM may select securities that do not reflect the beliefs and values of any particular investor. LIM’s approach to evaluating ESG factors during the security selection and oversight process may evolve and develop over time, both due to a refinement of processes to address the evaluation of ESG factors, and because of legal and regulatory developments.

### ***Absolute Return Strategy***

LIM begins the relationship by working with clients to establish their risk tolerance and return objectives. LIM’s investment, research, and portfolio management processes are identical across absolute return strategies. Every portfolio is individually managed to meet each client’s specific guidelines and objectives, which provides flexibility to meet each client’s unique requirements.

LIM follows a team-based approach in the management of portfolios. Portfolio managers are responsible for setting and overseeing portfolio policies with regard to identifying attractive risk-adjusted return opportunities, transaction-type allocations, and monitoring portfolio risks. Ideas are shared openly and frequently between analysts and portfolio managers. Together, the investment team members make transaction selections.

LIM’s philosophy is based on the premise that upside is limited in absolute return transactions. Downside risk can be substantial, so the focus is on analyzing risks and mitigating them when possible.

The team uses quantitative models and tools as part of the process to quantify risks taken at the portfolio level and to evaluate issuer and sector opportunities and risks. LIM has several proprietary tools which allow the team

to monitor portfolios from both a top-down (investment type/sector, transaction type (e.g., LBO, strategic merger, Dutch tender), timing/cashflow) and bottom-up perspective (security type, specific issuer exposure). These tools allow LIM to ensure adherence to the product's style, philosophy, and process. These tools are also used in the research process.

LIM's absolute return strategy targets investment diversification, with low correlation to both equity and fixed income markets. LIM's absolute return strategies include investments in arbitrage transactions, long/short equity (pair trading), options, and fixed income securities. Because LIM's absolute return strategies are similar in structure, once identified as attractive, investments are typically held across all portfolios while respecting each portfolio's guidelines.

When investing in arbitrage transactions, LIM primarily buys securities of companies involved in mergers and acquisitions and other corporate event-driven activities. Examples of these transaction types include, but are not limited to, called bonds, cash mergers, cash tenders, corporate debt restructuring, liquidations, special purpose acquisition companies (SPACs), tendered bonds, spin-offs, or stock mergers. LIM invests in companies of varying sizes. Prospective returns can be impacted by factors including, but not limited to, timing, perceived probability of completion, and general market conditions. LIM uses a combination of internally generated research, broker-generated research, and other third-party services in monitoring opportunities. The team evaluates and considers risk factors, including analyzing financing, size of the transaction, antitrust concerns, regulatory approvals, and shareholder voting requirements. After review, not all opportunities have a risk-reward profile that warrants investment. LIM enters deals that are subject to a definitive merger agreement and while most deals are held until completion, the team continues to monitor the downside risk of each transaction and adjusts positions as deals evolve and/or market conditions change.

LIM seeks to diversify portfolios by both industry and asset type. The amount invested in any one deal is a function of the downside risk to the portfolio, with the goal being to protect the portfolio from outsized losses.

Depending upon the level of corporate restructuring activity, the market, or other conditions, LIM can hold long and short equity positions, exchange traded funds (ETFs), foreign securities including foreign depositary receipts, restricted securities including 144A securities, and convertible securities. When investing in long/short transactions, LIM will generally buy securities and simultaneously sell securities short in amounts that are intended to result in an approximately neutral economic exposure to overall market movements. This portion of LIM's investment strategy is designed to capture the spread represented by the difference between the intrinsic value of a security as determined by LIM and the price at which the security trades. In addition to equities, LIM can invest in any combination of cash, cash equivalents, and/or fixed income securities, including investment-grade corporate bonds, non-investment-grade debt securities and convertible bonds.

LIM can gain exposure to fixed income securities through investments in other registered investment companies, including closed-end funds.

### ***Absolute Return Strategy Risks***

*All investing involves risk, including the risk of loss of a client's principal.*

The principal absolute return strategy risks include:

Absolute return portfolios can experience substantial investment losses as the result of many factors. Important risk considerations for LIM's absolute return strategies include deals not completing as expected, lack of attractive investment opportunities, and changing regulatory or market conditions.

**Active Management Risk** – LIM's investment strategy relies on its ability to correctly assess the attractiveness, value, or potential appreciation of specific investments. When a deal underperforms LIM's expectations, the performance of the holding could underperform the benchmark.

*Event Risk* – LIM invests in companies which are in the process of being acquired or which are involved in a restructuring, merger, or acquisition in some capacity. Estimating the time for completion of a merger or acquisition is subject to many variables. If an anticipated merger takes longer than expected to complete, or is not completed at all, a portfolio can suffer a reduced return, or even a loss. Because the timely completion of any transaction is dependent on regulatory, financial, economic, and strategic factors that are difficult to predict and subject to change, there is a risk that transactions will not complete as initially expected.

*Market and Management Risk* – The number of potential transaction candidates, and the level of returns to be earned, is dependent on many factors, including the economic and regulatory environment, the amount of capital available for investment in arbitrage, and accounting and financial developments. A decline in the number of investment candidates or in the returns available from potential investments, for whatever reason, would have an adverse impact on LIM's ability to achieve strategy objectives. In addition, global economies and financial markets are becoming increasingly interconnected, and conditions and events in one country, region or financial market may adversely impact issuers in a different country, region, or financial market. Furthermore, local, regional, and global events such as war, military conflict, acts of terrorism, social unrest, natural disasters, recessions, inflation, rapid interest rate changes, supply chain disruptions, sanctions, the spread of infectious illness or other public health threats could also adversely impact issuers, markets, and economies, including in ways that cannot necessarily be foreseen. The strategy could be negatively impacted if the value of a portfolio holding were harmed by such political or economic conditions or events. In addition, governmental and quasi-governmental organizations have taken several unprecedented actions designed to support the markets. Such conditions, events, and actions may result in greater market risk.

*Regulatory Risks* – Changes in the tax laws, securities laws, or accounting standards of any jurisdiction where LIM invests can make the strategy, as intended to be practiced, less profitable or cause the number of opportunities appropriate for the strategy to diminish.

*Equity Securities Risk* – The value of a particular stock or equity-related security can fall (or rise with respect to short positions) greatly over short or extended periods of time in response to several factors. Individual companies can report poor results or be negatively affected by industry or economic trends and developments. The prices of securities issued by these companies can decline in response to such developments.

Fixed income investments held in the strategy are also subject to the risks under the *Fixed Income Investment Risks* section noted above.

*Special Purpose Acquisition Company (SPAC) Securities Risks* – SPAC investments held in the portfolio are subject to the risks under both Fixed Income Investment Risks and Absolute Return Investment Risks. SPACs can contain the investment risks of closed-end funds, fixed income, and equity options. A SPAC is typically a publicly traded company that raises funds through an IPO for the purpose of acquiring or merging with another company to be identified subsequent to the SPAC's IPO. SPACs and similar entities are in essence "blank check" companies without operating history or ongoing business other than seeking acquisitions in a predetermined time frame (typically 18-24 months). The underlying investment is secured by cash in trust that is invested in short-term T-bills (maturities less than 185 days) while the security can also embed a two-year out-of-the-money call option.

*Equity Options Risk* – The value of options can be highly volatile. Option purchases can result in the loss of part, or all the amounts paid for the option plus commission costs. Option sales can result in a forced sale or purchase of a security at a price higher or lower than its current market price. The successful use of options for hedging purposes can depend in part on the ability of LIM to predict future price fluctuations and the degree of correlation between the options and securities markets, which is also a risk. Further, options can become illiquid and limit the ability to exit the security.

*Short Sale Risk* – Short sales are transactions in which the portfolio sells a security it does not own. Short sales can also be used to capture the price discrepancies between two related securities. For example, a portfolio can purchase an issuer's convertible bond while simultaneously short selling that issuer's common stock. To close the

transaction, the portfolio must purchase the security that was sold short. A portfolio's losses are potentially unlimited in a short sale transaction.

**Restricted Securities Risk** — Restricted securities are securities that a client may acquire in a private offering (that is, a non-public, off-exchange transaction), typically from the issuer or an affiliate of the issuer. Restricted securities may be resold only if they have been registered for public sale, a required holding period has expired, or the resale is limited to certain institutional investors. As a result, restricted securities tend to be less liquid than, and trade at a discount when compared to, comparable publicly offered securities.

**Foreign Market Risk** — Investing in foreign securities poses additional risks since political and economic events unique in a country or region will affect those markets and their issuers. These events will not necessarily affect the U.S. economy or similar issuers located in the United States. In addition, investments in foreign securities are generally denominated in foreign currency. As a result, changes in the value of those currencies compared to the U.S. dollar can affect (positively or negatively) the value of the portfolio's investments. There are also risks associated with foreign accounting standards, government regulation, market information, and clearance and settlement procedures. Foreign markets can be less liquid and more volatile than U.S. markets and offer less protection to investors.

**Convertible Security Risk** — The strategy may invest in bonds or preferred equity securities that are convertible, or exchangeable for, equity securities at specified times in the future and according to a specific exchange ratio. Convertible bonds are typically callable by the issuer, which could result in the client receiving less value than LIM had anticipated.

**Warrant Risk** — The strategy invests in warrants, which are options to buy, directly from the issuer, a specific number of shares of the common stock of that issuer based upon certain corporate events. Warrants have no voting rights, receive no dividends, and have greater volatility than the issuer's equity securities. If the corporate events do not come to pass, or the value of the issuer's securities drops, the warrants value could be zero.

**Illiquid Investment Risk** — Some securities are considered illiquid because they are subject to legal or contractual restrictions on resale. Other securities have characteristics which make them difficult to transact in, given specific market conditions, within a seven-day period, without materially impacting the value received for the security. Illiquid investments include private placements sold directly to institutional investors. These securities are not registered with the SEC and are not done in a public offering. Each of these securities can have unique restrictions on resale and thus considered less liquid than securities offered in a public offering. The sale of these investments can involve substantial delays and additional costs, and the price at which LIM may be able to transact in the securities can be substantially lower than what LIM believes they are worth.

### **Equity Strategies**

LIM begins the relationship by working with clients to establish their risk tolerance and return objectives. LIM's investment research and portfolio management processes may vary across the equity strategies, although the portfolio construction process is similar across the equity strategies. However, every portfolio is individually managed to its specific guidelines and objectives, which provides flexibility to meet each client's unique requirements.

LIM generally believes equity markets are inefficient and that a dividend and quality focus to the investment process will dampen portfolio volatility and enhance risk-adjusted returns over time. The equity income strategies are designed to deliver a competitive total return and a high- and growing income stream. The quality growth strategies focus on companies with high returns on capital, stable earnings and earnings growth, and financial strength where the market has underestimated the sustainability of these strong business models and competitive advantages. The well-defined, bottom-up, investment approach employed by LIM's equity team is intuitive, disciplined, and consistent. It is based on both time-tested research and experience. By focusing on stocks with premium dividend yields and strong quality attributes we can identify mispriced businesses. The

repeatable, systematic, and fundamental process allows the investment team to invest in these mispriced securities efficiently with a goal to deliver strong risk-adjusted results over time.

*The following details the goals and objectives in each of the equity strategies:*

The U.S. Large Cap Value strategy (formerly known as the U.S. Equity Income strategy) seeks long-term growth of capital and income through investment in dividend-paying stocks of companies located primarily in the United States. Over time, the strategy seeks to provide investors with high and growing income, a competitive total return, lower volatility, and risk characteristics that exhibit lower correlations with other equity strategies. The starting universe is made up of all U.S. large cap stocks at the time the portfolio is created or traded.

The International Large Cap Equity strategy (formerly known as the International Equity Income strategy) seeks long-term growth of capital and income through investment in dividend-paying stocks of companies primarily in developed countries located outside the United States. Over time, the strategy seeks to provide investors with high and growing income, a competitive total return, lower volatility, and risk characteristics that exhibit lower correlations with other equity strategies. The starting universe is made up of all international large cap stocks at the time the portfolio is created or traded.

The Emerging Markets Large Cap Equity strategy (formerly known as the Emerging Markets Equity Income strategy) seeks long-term growth of capital and income through investment in dividend-paying stocks of companies primarily in developing countries located outside the United States. Over time, the strategy seeks to provide investors with high and growing income, a competitive total return, lower volatility, and risk characteristics that exhibit lower correlations with other equity strategies. The starting universe is made up of all emerging market large cap stocks at the time the portfolio is created or traded.

The U.S. Quality Growth strategy (formerly known as the U.S. Quality strategy) seeks long-term growth of capital and income through investment in stocks of companies located primarily in the United States that score attractively based on a proprietary quality assessment. The investment team's assessment is based on a composite of metrics and measures such as balance sheet strength, returns on capital, and stability of earnings and earnings growth. Over time, the strategy seeks to provide investors with a competitive total return, lower volatility, and risk characteristics that exhibit lower correlations with other equity strategies. The starting universe is made up of all U.S. large cap stocks at the time the portfolio is created or traded.

The Global Concentrated Value strategy seeks to construct and maintain a concentrated portfolio that consists of attractively valued global equity stocks characterized by a high level of income and strong cash flow generation. The starting universe is made up of all global stocks greater than \$2.0 billion in market capitalization at time of purchase. Similar securities such as those issued by the same company with similar characteristics as well as ADRs, GDRs, ADSs, and ETFs are also eligible and may be used as proxies. Stocks that have a premium dividend yield and meet valuation and fundamental strength criteria are eligible as potential constituents of the portfolio.

The Midstream Energy strategy seeks income and long-term growth of capital by investing in MLPs, C-corps, or similar securities in the energy infrastructure sector that are publicly traded in the United States. The starting universe is comprised of publicly traded energy-related MLPs and midstream entities (e.g., C-corps).

*Portfolio Construction Process:*

Across all equity strategies, a liquidity screen is put in place to eliminate thinly traded securities. A financial health screen is also put in place to exclude companies with weaker financials and deteriorating fundamentals. In the U.S. Large Cap Value, International Large Cap Equity, and Emerging Markets Large Cap Equity strategies, generally stocks that have a premium dividend yield at time of purchase are eligible as holdings of the portfolio, however at times a stock with low or no yield may be purchased in sectors with lower yields based on valuation and for diversification purposes. In the U.S. Quality Growth strategy, only stocks that score highly on the investment team's proprietary quality assessment at time of purchase are eligible as holdings of the portfolio. Stocks are then selected based on income, valuation, quality, growth, yield, liquidity, technical measures and/or financial

strength. Country weights are determined based on relative valuation in the International and Emerging Markets strategies.

Portfolio constituents are weighted based on a two-step weighting methodology. Initially names are weighted by liquidity, subject to a maximum position size, to achieve broad diversification and avoid concentration risk. Next, this initial weight is adjusted based on company fundamentals, capital allocation, relative performance measures, volatility and/or technical measures.

Once portfolio construction is complete, the resulting portfolio undergoes a risk review by the investment team to ensure all objectives and guidelines are being met. Sector weights are also reviewed to ensure broad diversification. Modifications to stock weights, including the maximum position size, may be included to help achieve risk, return, or strategy objectives.

The portfolios are reviewed continuously and traded periodically.

### ***Equity Strategies Investment Risks***

*All investing involves risk, including the risk of loss of a client's principal.*

The principal risks of investing in equity securities include:

*Active Management Risk* – LIM's investment strategy relies on its ability to correctly assess the attractiveness, value, or potential appreciation of specific investments. When LIM's assessment does not align with the market, a client's portfolio will likely underperform relative to the applicable benchmark.

*Equity Securities Risk* – The value of a particular stock or equity-related security can fall greatly over short or extended periods of time in response to several factors. Individual companies can report poor results or be negatively affected by industry or economic trends and developments. The prices of securities issued by these companies can decline in response to such developments.

*Foreign Market Risk* – Investing in foreign securities poses additional risks since political and economic events unique in a country or region will affect those markets and their issuers. These events will not necessarily affect the U.S. economy or similar issuers located in the United States. There are risks associated with foreign accounting standards, government regulation, market information, and clearance and settlement procedures. Foreign markets can be less liquid and more volatile than U.S. markets and offer less protection to investors.

*Currency Risks* – Non-U.S. securities and other assets often trade in currencies other than the U.S. dollar. Changes in currency exchange rates will affect the value of the client's holdings, the value of dividends and interest earned, and gains and losses realized on the sale of investments. An increase in the strength of the U.S. dollar relative to other currencies may cause the value of the client's investments to decline. Foreign governments may intervene in the currency markets, causing a decline in value or liquidity issues related to the client's foreign currency holdings.

*Concentration Risk* – The risk that the strategy's concentration in securities within a specific sector or region will cause the strategy to be more exposed to the price movements of issuers and developments in that sector or region. There is the potential for a loss in value of an investment portfolio or a financial institution when an individual or group of exposures move together in an unfavorable direction.

*Developing and Emerging Market Risk* – Investments in developing and emerging markets are subject to all the risks associated with Foreign Market risk; however, these risks may be magnified in developing and emerging markets. Investments in securities of issuers in developing or emerging market countries are considered speculative by some market participants.

*Information and Data Accuracy Risk* – The Equity Strategies select investments based, in part, on information provided by issuers to regulators or made directly available by issuers or other sources. It is not always possible to

confirm the completeness or accuracy of such information, and in some cases, complete and accurate information is not available. Incorrect or incomplete information increases risk and may result in losses.

*Dividend Payment Risk* – Securities selected can discontinue or reduce dividend payments. This can result in the value of a client's investment declining, even if the stock price is rising.

*Investment Style Risk* – Different investment styles will perform differently depending upon market conditions or investor sentiment. Value stocks react differently to political, economic, and industry developments than the market as a whole and other types of stocks. A value approach to investing focuses on the security's intrinsic value or that LIM believes to be undervalued. If the market does not eventually come to that same assessment, the value of the security to a client will be overvalued and negatively impact portfolio performance. Value stocks tend to be inexpensive relative to their earnings, but they can continue to be inexpensive for long periods of time and may never realize what LIM believes to be their full value.

*Master Limited Partner (MLP) Investment Risk* – The risk of investing in MLPs differs from a typical equity investment. Holders of units of MLPs have more limited voting rights, thus less control than the owners of common stock of a corporation because of the limited partnership structure. The General Partners (GPs) of the MLP can opt to limit their fiduciary duties to the MLP and thus the limited partners (LPs). The GPs generally have conflicts of interest with the MLP in that they may be wholly owned by the energy and natural resource companies that created the MLP. Generally, the MLPs which LIM targets are focused on the exploration, development, mining, processing, or transportation of minerals or natural resources. This means they are sensitive to Commodity Exposure Risks.

*Operational Risk* – LIM bases part of its investment thesis on each MLP investment based on the forecast of future cash flows that should be available for distribution made by the management team of the MLP. There is no guarantee that the MLP will meet their forecasts. This could have a negative impact on the trading price of the units purchased for client accounts. The amount of cash available for a distribution depends on the amount of cash the MLP generates from its operations and from the state of the energy and natural resource markets at that time.

*Tax Risk* – In order for the MLP to operate optimally, it must be treated as a limited partnership. If the MLP becomes classified as a corporation for federal income tax purposes or there is a change to federal tax laws, the MLPs ability to distribute cash to the limited partners would be materially reduced. Unit holders in the MLPs receive K1s annually. Any change in tax status would impair the ability to timely produce K1s.

*Commodity Exposure Risk* – Energy and commodity prices will directly affect the performance of an MLP. Energy and commodity prices fluctuate for several reasons including general economic or political circumstances, market conditions, levels of domestic and imported production and delivery, energy conservation, governmental regulation, and taxation applicable to the location of the specific MLP, weather patterns, international politics, policies of the Organization of Petroleum Exporting Countries (OPEC), and the availability of pipelines and transportation systems. Increased volatility of commodity prices often leads to a responsive reduction in production or supply. This will negatively impact MLPs of all business models including those that transport, refine, process, or store those commodities.

*Sponsor Risk* – MLPs are created by a sponsor that generally contributes their own cash producing assets to the MLP and controls the MLP through the GP, which is often an affiliate of the MLP. This relationship creates conflict of interest including where the sponsor and the MLP are transacting between one another. As noted above, the GP can opt to limit their fiduciary duty to the MLP and thus allow it to weigh its own interests ahead of the interests of the MLP and the unit holders.

*Acquisition Risk* – An MLPs performance can be dependent on their ability to make acquisitions that increase adjusted operating surplus per unit to increase distributions to unit holders. This makes the success of those MLPs dependent upon the MLPs' management teams' ability to identify attractive acquisition targets, negotiate



purchase contracts, and obtain attractive financing terms. If they fail in this, the MLPs future growth prospects are materially negatively impacted along with their ability to meet their distributions and distribution projections. Not all acquisitions will be accretive to the adjusted operating surplus per unit as projected at the time of purchase. All acquisitions involve risk including inaccurate projections of future revenue and costs, the assumption of liabilities not uncovered during due diligence, and issues operating in the new product or geographic areas.

### **Overall Firm Risks**

*Risk of Loss* – All investments in securities include a risk of loss of principal (invested amount) and any profits that have not been realized (i.e., the securities were not sold to “lock in” the profit). Stock and bond markets fluctuate substantially over time, and markets have experienced increased volatility in recent years. As recent global and domestic economic events have indicated, performance of any investment is not guaranteed. Social, political, economic, and other conditions and events (such as natural disasters, epidemics, pandemics, terrorism, conflicts, warfare, and social unrest) will occur and have a significant impact on issuers, industries, governments, and other systems, including financial markets. As a result, there is a risk of loss of the assets we manage. LIM cannot guarantee any level of performance or that account assets will not be lost. Diversification does not guarantee a profit or protect against a loss. LIM does not represent, warrant, or imply that the services or methods of analysis used can or will predict future results, successfully identify market tops or bottoms, or insulate clients from major losses due to market corrections or crashes. No guarantees are offered that clients’ goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by LIM will provide a better return than other investment strategies.

*Cybersecurity Risk* – LIM may be susceptible to operational and information security risks resulting from cyber-attacks. Cyber-attacks include, among others, stealing or corrupting confidential information and other data that is maintained online or digitally for financial gain, denial-of-service attacks on websites causing operational disruption, and the unauthorized release of confidential information and other data. Cyber-attacks can cause significant disruptions and impact business operations, result in financial losses; lead to violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, and/or other additional costs. Further, LIM may incur substantial costs relate to investigation of the origin and scope of a cybersecurity incident, increasing, and upgrading cybersecurity protections including its administrative, technical, organizational, and physical controls, acts of identity theft, unauthorized use or loss of proprietary information, adverse investor reaction, increased insurance premiums or difficulties obtaining insurance coverage, litigation, regulatory actions, or other legal risks. Similar types of operational and technology risks are also present for the companies in which LIM’s clients invest, which could have material adverse consequences for such companies, and may cause those investments to lose value.

*Pandemic Risk* – The global outbreak of a pandemic, together with the possibility of U.S., federal, state, and non-U.S. governmental actions, including, without limitation, mandatory business closures, public gathering limitations, restrictions on travel and quarantines, has and could meaningfully disrupt the global economy and markets. As a result, a pandemic could adversely affect the clients’ investments and the industries in which they operate.

*Climate Change Risk* – Clients may acquire investments that are located in, or have operations in, areas that are subject to climate change. Any investments located in coastal regions may be affected by any future increases in sea levels or in the frequency or severity of hurricanes and tropical storms, whether such increases are caused by global climate changes or other factors. There may be significant physical effects of climate change that have the potential to have a material effect on the clients’ investments. Physical impacts of climate change may include increased storm intensity and severity of weather (e.g., floods or hurricanes), sea level rise, fires, and extreme and changing temperatures. As a result of these impacts from climate-related events, the clients’ investments may be vulnerable to the following: risks of property damage to the clients’ investments; indirect financial and operational impacts from disruptions to the operations of the clients’ investments from severe weather; increased insurance premiums and deductibles or a decrease in the availability of coverage for investments in

areas subject to severe weather; decreased net migration to areas in which investments are located, resulting in lower than expected demand for both investments and the products and services of the clients' investments; increased insurance claims and liabilities; increase in energy costs from energy transitions (e.g., shift from fossil-based systems to renewable energy sources) impacting operational returns; changes in the availability or quality of water, food or other natural resources on which the clients' business depends; decreased consumer demand for consumer products or services resulting from physical changes associated with climate change (e.g., warmer temperature or decreasing shoreline could reduce demand for residential and commercial properties previously viewed as desirable); incorrect long-term valuation of an investment due to changing conditions not previously anticipated at the time of the investment; and economic distributions arising from the foregoing.

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

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

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

LIM is exclusively an investment adviser. LIM Fund GP, LLC (LIM Fund GP), which is a wholly owned subsidiary of LIM, previously sponsored a collective investment fund (Private Fund) which was not registered as an investment company. The Private Fund was liquidated, and all assets were distributed to the limited partners effective 12/31/22.

Certain inherent conflicts of interest arise from the fact that LIM provides investment management services to other client accounts (such other funds, clients, and accounts, collectively "Other Accounts"). The investment programs of LIM and the Other Accounts may overlap or may not be similar. LIM may give advice and recommend securities to one client, or Other Accounts, which may differ from advice given to, or investments recommended or bought for, that client or Other Accounts, even though their investment objectives may be the same or similar to each other. While LIM will undertake to manage each client account and Other Accounts diligently in pursuit of their respective investment objectives, LIM will devote as much of its time to the activities of each client and Other Accounts as it deems necessary and appropriate. When a conflict of interest arises, LIM will endeavor to ensure that the conflict is resolved fairly. Refer to *LIM's Form ADV Part 1, Item 7 for internal affiliations*.

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

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

LIM has adopted a Code of Ethics (the "Code") pursuant to Rule 204-A and 204A-1 of the Advisers Act and Rule 17j-1 of the 1940 Act, as amended, which applies to all employees and describes the high standard of business conduct and fiduciary duty to our clients. Employees are expected to act in accordance with the highest ethical, legal, and moral standards. In addition, LIM adopted a Statement on Insider Trading which is reasonably designed to deter misconduct and conflicts of interest and to detect and prevent the Firm's officers, directors, and employees from trading on material non-public information. From time to time, LIM may serve as a sub-adviser to mutual funds and as such has adopted a Code which has been reasonably designed to prevent LIM's employees from engaging in fraudulent conduct, including insider trading as described below.

LIM has adopted a Code for all access and supervised persons of the Firm, describing its high standard of business conduct and fiduciary duty to its clients. The Code is based on the principle that the officers, directors, and employees (collectively "employees") owe a fiduciary duty to the Firm's clients and, therefore, must place the clients' interests ahead of their own. All employees are required to serve in the best interest of the Adviser's clients and all recommendations and decisions on behalf of the Firm's clients shall be solely in the best interest of the clients.

LIM's employees shall perform professional services in a manner that is fair and reasonable to clients and shall disclose conflicts of interest in providing such services. Further, the Firm provides clients with all requested information as well as other information needed for the clients to make informed investment decisions. Clients' inquiries shall be answered to the best of the Firm's abilities in a prompt and accurate manner. Employees shall maintain the confidentiality of all information entrusted by the Firm's clients, to the fullest extent of the law.

As such, the Code includes provisions relating to the confidentiality of client information, a prohibition against insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, personal securities trading procedures, and the requirement to disclose and seek approval for any outside business activities, among other things. All employees of the Firm must acknowledge the terms of the Code annually, or as amended.

The Firm anticipates that in appropriate circumstances, and as consistent with clients' investment objectives, it will permit the purchase or sale of securities in (i) client accounts over which the Firm has management authority and (ii) accounts in which the Firm, its affiliates, and/or clients, directly or indirectly, have a position of interest.

The Code was designed to assure that personal securities transactions, activities, and interests of the Firm's employees will not interfere with (i) making decisions in the best interest of its clients and (ii) implementing such decisions while, at the same time, allowing employees to invest in their own personal accounts. As such, employees may buy or sell securities also recommended to clients. However, to deal with any conflicts of interest, the Firm's employees are not permitted to take inappropriate advantage of their positions. The Code specifies the code of conduct for certain types of personal securities transactions that might involve conflicts of interest or an appearance of impropriety and has established reporting, pre-authorization requirements, and enforcement procedures for all employees. In addition, the Code specifies certain exempt securities/transactions that do not require pre-clearance authorization based upon a determination that trading an exempt security would not materially interfere with the best interest of the Adviser's clients. Employee trading is continually monitored to reasonably prevent conflicts of interest between Firm's employees and its clients. The Firm's employees are required to avoid any conduct which could create any actual or potential conflict of interest and must make sure that their personal securities transactions do not in any way interfere with their clients' portfolio transactions. Employees are required to act with integrity, dignity, honesty, and in a fiduciary capacity and maintain the highest standards of ethics in all aspects of professional conduct.

While it is impossible to define all situations that might pose a risk of securities laws violations or create conflicts, LIM's Code is designed to address those circumstances where such concerns are most likely to arise. By complying with the guidelines stated in the Code, the Firm's employees can minimize their, and the Firm's, potential exposure to violations of the securities laws, prevent fraudulent activity, and reinforce fiduciary principles.

Failure to comply with the provisions of LIM's Code is grounds for disciplinary action, including termination. Adherence to the Code is a basic condition of employment with LIM. All employees receive a copy of the Code upon initial hire and at least annually thereafter and are required to certify that they have received and will abide by the Code when updates are provided to them. Employees are required to report any violations of the Code to the Chief Compliance Officer (CCO). If any employee has any doubt as to the propriety of any activity, they are instructed to consult with the Firm's CCO.

A copy of LIM's Code of Ethics can be obtained by contacting Nicole Tremblay at 617-695-3504 or by emailing [Compliance@LongfellowIM.com](mailto:Compliance@LongfellowIM.com).

### ***Personal Trading***

LIM has implemented procedures for employees regarding trading of securities for their personal accounts. LIM expects employees to avoid trading securities that could create conflicts of interest with clients, or which would be inconsistent with LIM's legal and fiduciary responsibilities to clients.

The policy prohibits employees from investing in securities issued by any publicly traded direct client of LIM (except where LIM manages non-corporate assets) and purchasing securities at the time they are held in or actively being considered as an investment for the absolute return portfolios. Employees can buy and sell some of the same securities that are traded in non-absolute return portfolios. While it is unlikely that the transactions of individuals will affect the market for any given security, written pre-approval is required when employees plan to trade securities held in any client portfolio we manage, and trade approval is subject to a black-out period. LIM's compliance team reviews employee trading activity at least quarterly.

### ***Insider Trading***

LIM strictly prohibits insider trading and the misuse of material non-public information (MNPI). Employees are prohibited from trading either personally or on behalf of others on the basis of material non-public information or disseminating material non-public information to third parties, where they have a duty not to do so. Employees are required to notify Compliance should they receive or believe that they are the recipient of MNPI. LIM's compliance team then assists employees in determining how best to handle potential MNPI, including determining whether trading restrictions are appropriate, which parties will be subject to the trading restrictions, whether the employee has intentionally or inadvertently shared the information with any other parties, and how long the information could be actionable.

### ***Gifts and Entertainment and Pay to Play***

LIM's employees are required to report all gifts given or received and to seek pre-clearance for any entertainment. LIM and its employees are expressly prohibited from making political contributions, directly or indirectly, to incumbents, candidates, or successful candidates for elective office of a state government entity or to foreign officials to influence any act or decision of those parties.

## **Item 12 – Brokerage Practices**

As an investment advisory firm, LIM has a fiduciary and fundamental duty to ensure that its clients receive best execution with respect to the underlying holdings held in client accounts. LIM's primary goal is to ensure that the execution of securities transactions for clients is executed in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances.

LIM may consider for a client's account the full range and quality of a broker-dealer's services and may select such broker-dealer which provides research reports, economic and financial data, and relative performance of such account. LIM may elect to compensate a broker-dealer for such research and as such may participate in a commission sharing arrangement otherwise known as soft dollar arrangements, as described below. Accordingly, transactions will not always be executed at the lowest available commission but will be within a generally competitive range.

### ***Best Execution***

LIM has a fiduciary obligation when executing transactions for a client to seek the most favorable terms available given the circumstances surrounding the transaction. LIM will transact for its clients by seeking best execution on a given transaction. In seeking best execution for our clients, we consider various relevant factors, including but not limited to, price; reputation, execution efficiency, settlement capability, and financial strength and stability of the broker-dealer; the broker-dealer's execution services rendered on a continuing basis; and the reasonableness of commissions. LIM maintains relationships with a broad network of brokers.

### ***Directed Brokerage***

LIM does not participate in directed brokerage arrangements unless instructed to do so in writing on behalf of a client. Where a client does direct brokerage, LIM may be unable to achieve the most favorable execution on client

transactions, which can cost clients more due to less favorable prices and higher brokerage commissions, since LIM may not be able to aggregate orders in those circumstances.

### ***Block Trading / Order Aggregation***

LIM engages in block trading, where the orders of two or more clients are combined. This practice is used to achieve consistent performance among accounts with similar objectives and to reduce transactions costs. Block trading is done only if LIM has determined that each order is in the best interests of each participating client, is consistent with the terms of each investment advisory agreement of the participants, and results in the best execution available. Investment decisions for each client are made independent of those from other clients. Should the same investment decision be made for more than one client, LIM may aggregate securities to be purchased or sold to obtain a more favorable price for all participating client accounts. All client portfolios that participate in an aggregated trade will receive the same unit price.

If there is an inadequate quantity of the security to allocate to all eligible accounts (lot size for each allocation will be at a level that in the Adviser's judgment facilitates trading and minimizes costs), the Firm's allocation process will be followed based on the appropriate strategy involved as noted below.

### ***Allocations***

Each client is permitted to pursue investment opportunities like those pursued by another client. The allocation of investment opportunities among clients will be determined by LIM in its good faith judgment and in accordance with the organizational documents and IMAs of the relevant clients. Allocation decisions can raise conflicts, for example, if clients have different fee structures. Subject to a client's investment guidelines, client's investment advisory agreement with LIM, and LIM's policies will determine the appropriate allocation method. For the equity or absolute return strategies, LIM generally allocates investment opportunities among eligible clients on a pro rata basis based upon account size and fixed income accounts are allocated based on a fair and equitable basis. Contributing factors or deviations from pro rata allocations include (i) client investment guidelines, (ii) sector and issuer diversification, (iii) cash available for investment, (iv) realized gain/loss limitations, (v) funding for new client startups, (vi) anticipated cashflows, (vii) client terminations and (viii) minimum and liquid lot sizes. LIM makes allocation determinations based on its expectations at the time such investments are made, however investments and their characteristics may change and there can be no assurance that an investment may prove to have been more suitable for another client in hindsight.

### ***Fixed Income Brokerage Practices***

LIM generally has discretion to determine the broker-dealers through whom transactions will be executed for client accounts. Consistent with the fixed income trading market, trades are executed with implicit commissions built into the execution prices (commissions are netted into the execution price). LIM seeks to achieve best execution for its fixed income mandates consistent with its fiduciary duties.

For its fixed income mandates, LIM does not have soft dollar arrangements with any brokers or dealers. LIM does receive research services from some of the brokers and dealers that are utilized for client transactions. Such research includes advice concerning the value and advisability of investing in, purchasing, or selling certain securities or furnishing analyses and reports concerning issuers, industries, securities, economic factors, and trends. LIM's fixed income analytical software is paid for from the Firm's income.

### ***Equity Brokerage Practices – Commission Sharing Arrangements (CSA)***

In connection with LIM's Equity Strategy, LIM receives brokerage and research services other than execution from broker-dealers in connection with client securities transactions (CSA or soft dollar benefits) when agreed to in the client's investment advisory agreement. When LIM uses client commissions (markups or markdowns) to obtain brokerage or research services, LIM receives a benefit because LIM does not have to produce or pay for the brokerage or research services. This incentivizes LIM to select or recommend a broker-dealer based on LIM's

interest in receiving the brokerage or research services, rather than in our client's interest in receiving the most favorable execution. When LIM causes clients to pay commissions higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying up), it receives only those brokerage or research services eligible under the "safe harbor" provided by Section 28(e) of the Securities Exchange Act of 1934 (the "Exchange Act"). LIM may use client commissions (i.e., soft dollars) to pay for research and brokerage services where the cost needs to be allocated between eligible and ineligible uses (i.e., mixed-use items) per Section 28(e) of the Exchange Act. In those instances, LIM will allocate the cost of any mixed-use products or services between hard (i.e., paid by LIM from its investment management income) and soft dollars in good faith. LIM faces a conflict of interest when allocating these costs between hard and soft dollars, however such conflict of interest is mitigated by a robust documentation and review process.

A broker-dealer "provides brokerage services" when it executes a trade, clears a trade, settles a trade, or performs at least one of the following functions and allocates the remaining functions to other broker-dealers: taking financial responsibility for a trade, maintaining records regarding a trade, monitoring and responding to customer comments regarding the trading process, and monitoring trades and settlements. Associated products and services, such as trading software and dedicated lines that are used to transmit or settle orders, may also be considered brokerage services. Computer hardware is ineligible, as is software that is used for compliance or administrative purposes. Section 28(e) safe harbor is not applicable to costs associated with capital introduction, margin services, stock lending fees, or the resolution of trade errors.

A broker-dealer provides "research services" when it provides research reports, has discussions with research analysts and meetings with corporate executives, provides fees to attend conferences or seminars that provide substantive content regarding issuers, industries, and/or securities, provides research related to the market for securities, such as trade analytics (including analytics available through order management systems), and advice on market color and execution strategies, gives market, financial, economic, and similar data, provides pre-trade and post-trade analytics used during the investment decision-making process, and provides proxy services that the adviser uses during the investment decision-making process, as opposed to services used to satisfy the adviser's own voting, recordkeeping, or disclosure obligations. Each of these eligible research services must contribute to the investment decision making process and reflect an expression of reasoning or knowledge.

Trade aggregation will usually include both clients who have and have not restricted LIM's participation in soft dollar arrangements. LIM is not able to limit the benefits of the research or other products and services provided by the broker-dealers to those accounts that participate in CSA arrangements. Accounts that restrict or limit LIM's ability to utilize CSAs may still benefit from the research or other products and services provided as a result of the accounts that allow participation. Any brokerage or research services obtained using client commissions can be used by LIM in connection with client accounts that restrict payment for brokerage or research services with client commissions. Not all clients will benefit from every service paid for with the soft dollars generated by their account. LIM expects that each account will benefit overall because each is receiving the benefit of brokerage and research services. LIM reviews and assesses its commission policies, rates, and broker allocations on a regular basis. Part of the review includes an assessment of the value of research services received from each participating broker dealer.

In fiscal year 2023, LIM offset a portion of its eligible equity research related expenses with soft dollars.

### **Item 13 – Review of Accounts**

Portfolios are reviewed by the portfolio manager or designee on a regular basis to ensure investments remain appropriate. The reviews focus on consistency of portfolio investments with objectives and risk tolerances. Compliance tests are also conducted on both a pre-trade and post-trade basis to ensure compliance with the various investment parameters. Portfolio reviews can also be triggered by changes in general economic and market conditions, interest rate movements, and/or client directed initiatives.

The tools, methods, and reports utilized typically include but are not limited to: (i) daily portfolio characteristic reports (ii) daily cash availability forecast, (iii) daily compliance reports, (iv) daily and weekly account/strategy review meetings, (v) periodic client meetings and conference calls, (vi) monthly client reports, and (vii) monthly performance attribution reports.

Unless otherwise agreed with a client, LIM will send each separately managed account client a monthly investment report showing the priced asset positions at the end of the period, transactions during the period, investment performance for the period and market commentary. Separately managed account clients may also request different reports than normally provided, and LIM will attempt to meet client-reporting needs where practical. Clients should arrange for their custodian to also provide them with a list of transactions and assets priced at the end of the period.

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

LIM is exclusively an investment adviser and does not receive any economic benefit from non-clients in connection with giving advice to clients. LIM does not have any introducer (solicitor) arrangements.

#### **Item 15 – Custody**

LIM does not offer custody services. Clients are responsible for maintaining a custody account for their portfolios with custodians of their own choosing. Clients are responsible for all fees charged by the custodian. The custodian provides the client and LIM with monthly holdings and transaction reports. The custodian holds the securities, collects the payments, and maintains the official books and records of each portfolio. LIM's client statements reflect transactions on a contractual basis. On a monthly basis, LIM reconciles portfolio activity to the custodian's statements. LIM's statements can vary from custodial statements based on reporting dates, accounting procedures, and/or valuation methodologies. Clients are urged to carefully review the portfolio statements they receive from LIM and the official custodial statements they receive from their custodian and report any discrepancies immediately.

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

LIM's investment advisory agreements typically give full discretionary investment authority over client portfolios, including the selection of securities to purchase or sell and the broker to be utilized. The investment advisory agreement must be executed prior to LIM exercising this authority. In all cases, discretion is exercised in a manner consistent with written portfolio investment guidelines, which is an integral component of the investment advisory agreement. While LIM manages to standard fixed income, equity, and absolute return strategy guidelines, clients can specify security or portfolio level restrictions on permitted securities, including ESG/SRI screens, quality, maturity, and/or diversification. Each portfolio is separately managed, and when selecting securities and determining holding size LIM adheres to each portfolio's investment guidelines.

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

Under Rule 206(4)-6 of the Advisers Act, investment advisers that vote proxies for clients are required to adopt and implement policies and procedures for voting proxies in the best interest of clients, to describe the procedures to clients, and to tell the clients how they may obtain information about how the Adviser voted. LIM has adopted proxy voting policies and procedures ("Policies and Procedures") which are reasonably designed to ensure that it votes each client's securities in the best interest of each client, for whom LIM has accepted proxy voting authority, in accordance with our fiduciary duties and Rule 206(4)-6 under the Advisers Act. Further, LIM will retain all proxy voting books and records for the requisite period, including a copy of each proxy statement received, a record of each vote cast, a copy of any document that was material to deciding how to vote proxies,

and a copy of each written client request for information on how LIM voted such proxy votes. In addition, LIM has adopted and approved the use of Third-Party Service Providers, such as Glass Lewis and Broadridge Financial Solutions, Inc. to assist in the administration and voting of proxies, which includes advice on how specific proxy votes in the Equity Strategies should be cast.

#### ***Fixed Income and Absolute Return Voting Policy***

As a matter of Firm policy and practice, LIM does not have authority to and does not vote proxies on behalf of advisory clients unless otherwise provided in writing. Therefore, clients may retain the responsibility for receiving and voting proxies for all securities maintained in client accounts. In the fixed income accounts, LIM does not normally receive proxy statements to vote for its clients' accounts. In some instances, a client's investment advisory agreement reserves the responsibility for voting proxy statements to the client. In the rare instance that a proxy statement is received that requires a vote by LIM, LIM will act in a manner that it deems prudent and diligent, and which is intended to enhance the economic value of the underlying portfolio securities held in its clients' accounts.

In the absolute return portfolios, most of the votes cast by LIM relate to non-controversial shareholder approvals for corporate mergers or restructurings of holdings. LIM considers the factors that could maximize the value of the securities held in a client portfolio and each client's specific investment goals when voting a proxy statement. In the event of a material conflict between LIM's interests and those of its clients, LIM may engage and follow the recommendation of an independent third party.

#### ***Equity Strategies Voting Policy***

LIM has adopted policies and procedures specific to equity strategy portfolios which has been designed to ensure that where LIM is authorized, LIM will vote its client's securities in the best interest of the client. LIM will act in a manner that it deems prudent and diligent, and which is intended to enhance the economic value of the underlying portfolio securities held in its clients' accounts.

On behalf of the equity strategies portfolios, LIM has adopted written Proxy Voting Policies and Procedures (the "Proxy Guidelines") of an independent third-party proxy voting service provider, Glass Lewis (the "Proxy Voting Agent"). The Proxy Guidelines followed by the Proxy Voting Agent are the ESG thematic guidelines and have been reasonably designed to ensure LIM votes in the best interest of its clients. The Proxy Guidelines reflect LIM's general voting positions on specific corporate governance issues and corporate actions which includes board-level oversight of environmental and social risk oversight as well as fundamental non-financial factors. Some issues may require a case-by-case analysis prior to voting and may result in a vote being cast that will deviate from the Proxy Guidelines. Upon receipt of a client's request, LIM will vote proxy statements for that client's account in a particular manner that may differ from the Proxy Guidelines employed by the Proxy Voting Agent. Any deviations from the Proxy Guidelines will be documented and maintained in accordance with Rule 204-2 under the Advisers Act.

In accordance with LIM's Proxy Guidelines, LIM may review additional criteria associated with voting proxy statements and evaluate the expected benefit to its clients when making an overall determination on how or whether to vote the proxy statement. LIM may vote proxy statements individually for a client or in aggregate and record votes across a group of clients, as appropriate.

LIM may refrain from voting a proxy statement on behalf of its clients' accounts due to de-minimis holdings, impact on the portfolio, items relating to foreign issuers, timing issues related to the opening/closing of accounts, contractual arrangements with clients and/or their authorized delegate, failures by a client's custodian to forward proxy statements in a timely manner, or the inability to vote proxy statements due to a client account's securities lending arrangements. Further, LIM may refrain from voting proxy statements of a foreign issuer due to logistical considerations that may have a detrimental effect on LIM's ability to vote the proxy or vote these proxies on a best-efforts basis. These issues may include but are not limited to: (i) proxy statements and ballots being written



in a foreign language, (ii) late notice of a shareholder meeting, (iii) requirements to vote proxies in person, (iv) restrictions on exercising votes, (v) restrictions on the sale of securities for a period of time in proximity to the shareholder meeting, or (vi) requirements to provide local agents with power of attorney to facilitate the voting instructions.

As noted, to assist in the proxy voting process, LIM has retained independent third-party service providers to assist in providing research, analysis, books, and recordkeeping, and voting recommendations on corporate governance issues and corporate actions, as well as assist in the administrative process specifically for the equity strategies.

Clients may request a copy of the Firm's Proxy Voting Policies and Procedures or a record of how their securities were voted for by contacting Nicole Tremblay by telephone at 617-695-3504 or by email at [Compliance@LongfellowIM.com](mailto:Compliance@LongfellowIM.com). Clients can always retain the authority to vote on their portfolios' holdings.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide disclosures about their financial condition. LIM has no financial commitment that impairs our ability to meet contractual and fiduciary commitments to our clients and has not been the subject of a bankruptcy proceeding.

**OTHER INFORMATION** – LIM has the appropriate administrative, technical, and physical safeguards to ensure the security and confidentiality of protected information in compliance with the requirements of Massachusetts General Laws c. 93H & 93I & 201 Code Mass. Regs. § 17.00 and other applicable law. In addition, LIM maintains its information security program in compliance with applicable law, and it will safeguard such protected information in its possession in compliance with Massachusetts and other applicable laws so long as the information remains in its possession. If LIM knows or has reason to know of any breach of security affecting the protected information, such as the loss, unauthorized acquisition, or unauthorized use of protected information, LIM will notify effected clients as soon as practicable, and without unreasonable delay, and cooperate fully with its clients in taking such steps in response to the breach as may be required by Massachusetts General Law 93H § 3 and all other applicable law.

**BROCHURE SUPPLEMENTS** - Please refer to LIM's Brochure Supplements by Strategy, as appropriate.