

**Item 1—Cover Page**

**Opus Investment Management, Inc.**

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**Form ADV Part 2A: Firm Brochure**

**March 22, 2024**

This Brochure provides information about the qualifications and business practices of Opus Investment Management, Inc. (“Opus”). If you have any questions about the contents of this Brochure, please contact us at 508-855-6689 and/or [lmcentegart@opusinvestment.com](mailto:lmcentegart@opusinvestment.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Opus is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

## **Item 2—Material Changes**

This Brochure dated March 22, 2024 represents an update to the Brochure dated March 30, 2023 (the “Prior Brochure”). Opus Investment Management, Inc. routinely makes updates throughout the Brochure to improve and clarify the description of its business practices, compliance policies and procedures, as well as to respond to evolving industry best practices. There are no material changes to report since the last annual update of this Brochure.

### Item 3—Table of Contents

Item 1—Cover Page .....	i
Item 2—Material Changes .....	ii
Item 3—Table of Contents .....	iii
Item 4—Advisory Business.....	1
Item 5—Fees and Compensation.....	2
Item 6—Performance-Based Fees and Side-By-Side Management.....	4
Item 7—Types of Clients .....	4
Item 8—Methods of Analysis, Investment Strategies and Risk of Loss .....	5
Item 9—Disciplinary Information .....	13
Item 10—Other Financial Industry Activities and Affiliations.....	13
Item 11—Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	14
Item 12—Brokerage Practices .....	20
Item 13—Review of Accounts.....	21
Item 14—Client Referrals and Other Compensation .....	21
Item 15—Custody .....	21
Item 16—Investment Discretion.....	22
Item 17—Voting Client Securities .....	22
Item 18—Financial Information .....	22

#### **Item 4—Advisory Business**

**A.** Opus began as the asset management division of the former State Mutual Life Assurance Company of America (“State Mutual”), incorporated in 1844 in Massachusetts. Opus was incorporated in 1985, doing business first as SMA Financial Corp and then Allmerica Asset Management, reflecting corporate parentage. In 2003, our name was changed to Opus. Opus is a wholly owned subsidiary of The Hanover Insurance Group, Inc. (THG) (“The Hanover”) (previously Allmerica Financial Corporation), which began trading on the New York Stock Exchange as a public company after completing the demutualization of State Mutual in 1995.

Our mandate is to provide investment management services to a range of institutional investors on a separate account basis, with a particular focus on investors in the insurance industry. Opus manages money for unaffiliated firms as well as members of The Hanover family of companies (the “Affiliated Clients”).

**B.** Opus generally offers discretionary investment advisory services on fixed income products to institutional investors including insurance companies, self-insurance groups and other financial institutions. For some of our clients that wish to have equity market exposure, we also offer advisory services related to mutual funds and exchange traded funds. We currently provide advisory services on individual equity securities and alternative investments only to our Affiliated Clients, or as part of a portfolio transition.

**C.** We tailor our investment services to a degree for each client. The individual client investment guidelines, as well as any regulatory investment restrictions or limitations, are considered when implementing the investment strategy for a particular client. Each client, through its investment guidelines, imposes restrictions related to eligible asset classes, duration, diversification and other items.

**D.** Opus does not participate in wrap fee programs.

**E.** As of December 31, 2023, Opus manages \$11.4 Billion on a discretionary basis and \$0 on a non-discretionary basis.

## **Item 5—Fees and Compensation**

**A.** Opus is paid for its investment advisory services through an asset management fee, typically calculated based on average fair market value of assets under management with Opus (the “Asset Management Fee”). Additionally, consistent with a client’s investment management agreement with Opus (an “Investment Advisory Agreement”), clients typically bear certain out-of-pocket expenses incurred by Opus in connection with the services provided to the client. The standard fee scales for strategy specific clients and for insurance clients investing in a mix of strategies are shown below. The Asset Management Fee and other fees described herein are generally subject to modification, waiver or reduction by Opus in its sole discretion, which may not be disclosed to other clients. Fees may differ from one client to another. Services paid to some Affiliated Clients are, in certain instances, charged at cost.

### **SEPARATE ACCOUNT MANAGEMENT**

#### **Capital Preservation & Income**

0.20% per annum on the first \$50 million

0.15% per annum on the next \$50 million

0.10% per annum thereafter

#### **Short Broad Market**

0.30% per annum on the first \$25 million

0.25% per annum on the next \$25 million

0.15% per annum thereafter

#### **Intermediate Broad Market**

0.30% per annum on the first \$25 million

0.25% per annum on the next \$25 million

0.15% per annum thereafter

#### **Investment Grade Core**

0.30% per annum on the first \$25 million

0.25% per annum on the next \$25 million

0.15% per annum thereafter

### **Passive Equity**

0.10% per annum

### **Equity Transition Strategy**

0.25% per annum

### **All Other Strategies**

0.35% per annum on the first \$10 million

0.25% per annum on the next \$15 million

0.20% per annum on the next \$25 million

0.15% per annum thereafter

The Asset Management Fee includes investment management services, amortized cost accounting services, client reporting, client meetings. Coordinating custody and Schedule D reporting are each separately available. In addition to the Asset Management Fee, certain advisory clients compensate Opus for coordinating custody through a third-party "qualified custodian" at rate of 0.05% per annum on assets under management. This service is no longer offered to new investors. Schedule D reporting is available for the greater of .05% of average fair market value of assets under management with Opus or \$16,000 per year.

All fees are subject to negotiation. Factors considered may include the capabilities of the client-selected custodian that would impact trade affirmation and settlement, as well as daily cash and position reconciliation. Schedule D reporting includes providing Schedule D reports and files, and other related investment schedules and disclosures that are filed by the insurance company with the National Association of Insurance Commissioners (NAIC) and/or the individual states, as required.

**B.** Each client's Investment Advisory Agreement describes how fees are charged by Opus. Opus will typically bill its fees on a quarterly basis, in arrears. Generally, fees for existing clients are assessed based on the average fair market value of applicable assets at the close of business on the last business day of each calendar month during the quarterly period, unless the client's Investment Management Agreement states otherwise. Typically, Asset Management Fees for new investors will be assessed based on the average daily fair market value during the quarterly period, unless the client's Investment Management Agreement states otherwise. At termination of an account, any earned, unpaid fees will be due and payable. Accounts initiated or terminated during a calendar quarter are charged a pro-rated fee.

**C. Client Expenses.** Each client pays for expenses relating to it, including, but not limited to, fees and charges imposed by custodians, brokers and other third parties such as brokerage commissions, fees and commissions and discounts incurred in connection with the purchase or sale of securities, transfer, registration, transaction fees, and other related costs and expenses, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Certain clients may receive custodial coordination services per their Investment Advisory Agreement, and the associated custodial fees will be paid by Opus on their behalf. Mutual funds and exchange traded funds (“ETFs”) also charge internal management fees and have other expenses of the type described above, which are disclosed in an ETF’s offering documents and fund’s prospectus and are paid indirectly by a client.

These charges, fees and commissions are in addition to Opus’ Asset Management Fee, and Opus shall not receive any portion of these commissions, fees, and costs except for those additional services provided for in the Investment Advisory Agreement.

**D. Brokerage Fees.** When a broker is used in connection with an investment for an account, such client will incur brokerage and other transaction costs, as described above. Item 12 further describes the factors that Opus considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

Opus does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). Gains in the value of a client’s account do, however, result in a larger base of assets that Opus’ fees are charged on. Likewise, losses result in a lower asset base for purposes of fee calculations.

## **Item 7—Types of Clients**

Opus will provide investment advisory services to insurance companies, self-insured groups, foundations, endowments, municipalities, trust programs and other U.S. and international institutions.

Opus requires a minimum account size and minimum annual fee for each separate account, as further described below:

**Capital Preservation & Income**

Minimum account size—\$50 million

**Short Broad Market**

Minimum account size—\$5 million

Minimum annual fee—\$20,000

**Intermediate Broad Market**

Minimum account size—\$5 million

Minimum annual fee—\$20,000

**Investment Grade Core**

Minimum account size—\$5 million

Minimum annual fee—\$20,000

**Passive Equity**

Minimum account size - none

Minimum annual fee - \$3,000

**Equity Transition Strategy**

Minimum account size - none

Minimum annual fee - \$20,000

All fees and minimum account sizes are subject to negotiation and minimums may be waived by Opus in its sole discretion.

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

Opus' fixed income investment strategy includes investing in a variety of instruments such as U.S. Treasury and Agency bonds; corporate debt; state and political sub-division obligations; residential and commercial mortgage-backed securities; and other asset-backed securities. On a limited basis for clients that seek exposure to the equity market, we recommend mutual funds and exchange traded funds, primarily indexed rather than actively managed.

Our methods of analysis include:

- Fundamental credit analysis, including an in-depth evaluation of each issuer in terms of the nature of the business and its history, the nature of the industry, the historical and expected financial results (income statement, balance sheet, funds statement) and related ratio analysis, financing plans, quality and depth of management.
- Security analysis, including prepayment options, affirmative and negative covenants and an evaluation of the securities and their terms.
- Quantitative, technical, vector and structural analysis.

The principal sources of information typically include: Annual and interim financial reports, SEC or NAIC filings, prospectuses and offering circulars prepared by issuers or their agents; information published in newspapers, periodicals and in commentaries from investment bankers, engineers and financial advisors; ratings and reviews of securities from services such as Fitch, Moody's, Standard & Poor's; and many other sources such as commercial mortgage information providers, appraisal studies, feasibility studies, real property market analyses and materials provided by mortgage bankers.

It is impossible to predict the degree of profitability, if any, that may be achieved from the investment strategy described above. The description set forth above is general and is not intended to be exhaustive. The risks to each client's account are substantial and each client account could realize losses rather than gains from some or all of the investments described herein. Investing in securities and other asset types involves a risk of loss that clients should be prepared to bear.

### **Material Risks**

The following is an explanation of the material risks that Opus believes are associated with its investment strategy. Unless stated otherwise, each risk applies to all clients. The following risk factors do not purport to be a complete list or explanation of all the risks associated with an investment with Opus.

*\*Pandemic Risk.* Disease outbreaks that affect local economies or the global economy may materially and adversely impact our investment portfolios and/or our business. These types of outbreaks have the potential to cause severe decreases in core business activities such as manufacturing, purchasing, tourism, business conferences and workplace participation, among others. These disruptions also have the potential to lead to instability in the marketplace, including market losses and overall volatility. In the face of such instability, governments may take extreme and unpredictable measures to combat the spread of disease and mitigate the resulting market disruptions and losses. In the event of a pandemic or an outbreak, there can be no assurance that we or our service providers will be able to maintain normal business operations for an extended period of time or will be able to retain the services of key personnel on a temporary or long-term basis due to illness or other reasons. The full impact of a pandemic or disease outbreaks is unknown, which could result in a high degree of uncertainty for potentially extended periods of time.

*\*Credit Risk (Default).* An account could lose money if the issuer or guarantor of a security (including a security purchased with securities lending collateral), or the counterparty to a derivatives contract, repurchase agreement or a loan of portfolio securities, is unable or unwilling, or is perceived (whether by market participants, rating agencies, pricing services or otherwise) as unable or unwilling, to make timely principal and/or interest payments, or to otherwise honor its obligations. The downgrade of the credit of a security held by the account may decrease its value. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings.

*\*General Economic and Market Conditions.* The success of Opus' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of clients' investments), trade barriers, currency exchange controls, pandemics, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect, among other things, the level and volatility of asset prices, the ability of Opus to value client holdings, the liquidity of clients' investments and the availability of certain assets. Volatility or illiquidity could impair clients' profitability or result in losses. Clients may maintain substantial trading positions that can be materially adversely affected by the level of volatility in the financial markets — the larger the positions, the greater the potential for loss.

Global capital markets experience volatility and illiquidity from time to time. These conditions may lead to extensive governmental interventions, which may be implemented on an "emergency" basis. This could suddenly and substantially eliminate market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions.

*\*Economic and Regulatory Climate.* Changing market and economic conditions and other factors such as changes in federal or state tax laws, federal or state securities laws or accounting standards may make corporate mergers, exchange offers, tender offers or other similar transactions less desirable or may make arbitrage or trading activities engaged in by Opus less profitable. In particular, it should be noted that many tender offers, acquisitions and other corporate reorganizations require the acquirer to obtain high levels of financing to successfully complete the transaction. As a result of cycles of uncertainty in credit markets, such financing may become difficult to obtain and may adversely affect the clients' opportunities and investments.

*\*Climate Change.* Clients may acquire investments that are located in, or have operations in, areas which 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' business and operations. 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, clients 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 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 equity investment due to changing conditions not previously anticipated at the time of the investment; and economic distributions arising from the foregoing.

*\*Discontinuation of LIBOR.* The U.S. dollar London Interbank Offered Rate ("LIBOR"), which was commonly used as a reference rate within various financial contracts (any such rate, a "Reference Rate"), ceased to be published on a representative basis after June 30, 2023 (other than the one-week and two-month tenors, which have not been published on a representative basis since the end of 2021). The Secured Overnight Financing Rate ("SOFR") is the Reference Rate formally recommended by the Alternative Reference Rates Committee (the "ARRC"). The ARRC and regulators have stated that any party choosing another Reference Rate should do so carefully. As a general matter, the discontinuation of LIBOR may significantly impact financial markets; specifically, discontinuation may impact financial contracts to which Opus is a party. Generally, the transition to alternative Reference Rates may (i) cause the value of a Reference Rate to be uncertain or to be lower or more volatile than it would otherwise be; (ii) result in uncertainty as to the functioning, liquidity or value of certain financial contracts; (iii) involve actions of regulators or rate administrators that adversely affect certain markets or specific financial contracts; and (iv) impact the strategy, products, processes, legal positions and information systems of market participants, including Opus and its counterparties. With respect to financial contracts to which Opus is a party, any such contract that has a maturity that extends beyond June 2023 and uses LIBOR as a Reference Rate (other than contracts that include curative fallback language or which have other curative mechanisms available, such as federal safe harbor legislation adopted to permit the replacement of LIBOR with alternative recommend rates) may need to be renegotiated, the process of which will consume resources of Opus and may result in disputes among counterparties, the result of which may be adverse to clients of Opus. Regulators encouraged market participants to cease entering into new contracts that use LIBOR as a reference rate. As a result, LIBOR's liquidity and usefulness will likely diminish as use comes to an end. It is difficult to predict the full impact of the transition away from LIBOR. Considered in its entirety, the impact of the transition on financial markets generally and on the specific financial contracts to which Opus is a party may ultimately adversely affect the performance of an Opus investment strategy.

*\*High Yield Risk.* Accounts that invest in high yield securities and unrated securities of similar credit quality (commonly known as "junk bonds") may be subject to greater levels of credit and liquidity risk than accounts that do not invest in such securities. These

securities are considered predominately speculative with respect to the issuer's continuing ability to make principal and interest payments. An economic downturn or period of rising interest rates could adversely affect the market for these securities and reduce an account's ability to sell these securities (liquidity risk). If the issuer of a security is in default with respect to interest or principal payments, an account may lose its entire investment. Because of the risks involved in investing in high yield securities, an investment in an account that invests in such securities should be considered speculative.

*\*Material, Non-Public Information.* From time to time, Opus and its affiliates possess, or may be imputed with receipt of, material, non-public information concerning an issuer in which a client is invested, or as to which it is evaluating an investment. The possession of such information may limit the ability of Opus to make or dispose of an investment in such an issuer, including at a time when Opus might otherwise wish to cause one or more clients to buy or sell such assets. Opus has policies and procedures in place that seek to ensure that its investment practices do not violate federal, state, and foreign securities law prohibitions on trading on material, nonpublic information.

*\*Inflation-Indexed Security Risk.* Inflation-indexed debt securities are subject to the effects of changes in market interest rates caused by factors other than inflation (real interest rates). In general, the value of an inflation-indexed security, including Treasury inflation-protected securities ("TIPS"), tends to decrease when real interest rates increase and can increase when real interest rates decrease. Thus generally, during periods of rising inflation, the value of inflation-indexed securities will tend to increase and during periods of deflation, their value will tend to decrease. Interest payments on inflation-indexed securities are unpredictable and will fluctuate as the principal and interest are adjusted for inflation. There can be no assurance that the inflation index used (*i.e.*, the Consumer Price Index ("CPI")) will accurately measure the real rate of inflation in the prices of goods and services. Increases in the principal value of TIPS due to inflation are considered taxable ordinary income for the amount of the increase in the calendar year. Any increase in the principal amount of an inflation-indexed debt security could be considered taxable income, even though the account will not receive the principal until maturity. Additionally, a CPI swap can potentially lose value if the realized rate of inflation over the life of the swap is less than the fixed market implied inflation rate (fixed breakeven rate) that the investor agrees to pay at the initiation of the swap. With respect to municipal inflation-indexed securities, the inflation adjustment is integrated into the coupon payment, which could be federally tax exempt (and may be state tax exempt). For municipal inflation indexed securities, there is no adjustment to the principal value. Because municipal inflation-indexed securities are a small component of the municipal bond market, they may be less liquid than conventional municipal bonds.

*\*Interest Rate Risk.* Interest rate risk is the risk that fixed income securities will decline/increase in value because of an increase/decrease in interest rates. As nominal interest rates rise, the value of certain fixed income securities held by an account is likely to decrease. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate. Fixed income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities

with shorter durations. The values of equity and other non-fixed income securities may also decline due to fluctuations in interest rates.

*\*Issuer Risk.* The value of a security may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or services, as well as the historical and prospective earnings of the issuer and the value of its assets.

*\*Liquidity Risk.* Liquidity risk exists when particular investments are difficult to purchase or sell. An account's investments in illiquid securities may reduce the returns of the account because it may be unable to sell the illiquid securities at an advantageous time or price. Additionally, the market for certain investments may become illiquid under adverse market or economic conditions independent of any specific adverse changes in the conditions of a particular issuer. In such cases, an account, due to potential limitations on investments in illiquid securities and the difficulty in purchasing and selling such securities or instruments, may be unable to achieve its desired level of exposure to a certain sector. To the extent that an account's principal investment strategies involve foreign (non-U.S.) securities, derivatives or securities with substantial market and/or credit risk, the account will tend to have the greatest exposure to liquidity risk.

*\*Management Risk.* Each actively managed account is subject to management risk. Opus and each individual portfolio manager will apply investment techniques and risk analyses in making investment decisions for actively managed accounts, but there can be no guarantee that these decisions will produce the desired results. Additionally, legislative, regulatory, or tax restrictions, policies or developments may affect the investment techniques available to Opus and each individual portfolio manager in connection with managing such accounts and may also adversely affect the ability of the accounts to achieve their investment objectives.

*\*Market Risk.* The market price of securities owned by an account may go up or down, sometimes rapidly or unpredictably. Securities may decline in value due to factors affecting securities markets generally or particular industries represented in the securities markets. The value of a security may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. The value of a security may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. During a general downturn in the securities markets, multiple asset classes may decline in value simultaneously. Equity securities generally have greater price volatility than fixed income securities.

*\*Mortgage-Related and Other Asset-Backed Risk.* Mortgage-related and other asset-backed securities often involve risks that are different from or more acute than risks associated with other types of debt instruments. Generally, rising interest rates tend to extend the duration of fixed rate mortgage-related securities, making them more sensitive to changes in interest rates. As a result, in a period of rising interest rates, if an account holds

mortgage related securities, it may exhibit additional volatility. This is known as extension risk. In addition, adjustable and fixed rate mortgage-related securities are subject to prepayment risk. When interest rates decline, borrowers may pay off their mortgages sooner than expected. This can reduce the returns of an account because the account may have to reinvest that money at the lower prevailing interest rates. An account's investments in other asset-backed securities are subject to risks similar to those associated with mortgage-related securities, as well as additional risks associated with the nature of the assets and the servicing of those assets.

*\*Equity Securities Generally.* Opus may invest client assets in equity and equity-related securities in the U.S. and, in limited cases, other countries. The value of these securities generally will vary with the performance of the issuer and movements in the equity markets. As a result, clients may suffer losses if they invest in equity instruments of issuers whose performance diverges from Opus' expectations or if equity markets generally move in a single direction and the client has not hedged against such a general move. In addition, securities which Opus believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame Opus anticipates. Clients also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering or otherwise qualifying restricted securities for public resale.

*\*Cybersecurity Risk.* With the increased use of technologies such as the internet to conduct business, clients and Opus are susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyberattacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyberattacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting a client's and Opus' service providers and counterparties have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, and additional compliance costs. Similar adverse consequences could result from cyber incidents affecting governmental and other regulatory authorities, exchanges and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions and other parties. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. Neither clients nor Opus can control the cybersecurity plans and systems put in place by their service providers, issuers of securities in which clients invest, or any other third parties whose operations may affect clients or Opus. Clients and Opus could be negatively impacted as a result.

*\*Risks of Financial Fraud.* Instances of fraud and other deceptive practices committed by senior management of certain companies in which clients invest may undermine Opus' due diligence efforts with respect to such companies, and if such fraud is discovered, negatively

affect the valuation of clients' investments. In addition, when discovered, financial fraud may contribute to overall market volatility which can negatively impact clients' investment programs.

*\*Reliance on Corporate Management and Financial Reporting.* Opus selects investments for clients in part on the basis of information and data filed by issuers of securities with various government regulators and through other sources. Although Opus evaluates such information and data and seeks independent corroboration when it considers it appropriate and reasonably available, Opus will not be in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information will not be readily available. Opus is dependent upon the integrity of the management of these issuers and of such servicers and the financial and collateral performance reporting processes in general.

*\*Possibility of Fraud and Other Misconduct of Personnel and Service Providers.* Misconduct by personnel of Opus, service providers to Opus or clients and/or their respective affiliates could cause significant losses to such clients. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by such clients, the improper use or disclosure of confidential or material non-public information, which could result in litigation, regulatory enforcement or serious financial harm, including limiting the business prospects or future marketing activities of such clients and noncompliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption and/or financial losses to such clients. Opus has controls and procedures through which they seek to minimize the risk of such misconduct occurring. However, no assurances can be given that Opus will be able to identify or prevent such misconduct.

**Financial Institution Risk; Distress Events.** An investment in an Opus strategy is subject to the risk that one of the banks, brokers, lenders or other custodians of some or all of the portfolios' assets that Opus engages (each, a "Financial Institution") fails to perform its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty (each, a "Distress Event"). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, Opus and/or its clients may not be able to access deposits, borrowing facilities or other services for an extended period of time or ever. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation ("FDIC"), in the case of banks, or the Securities Investor Protection Corporation ("SIPC"), in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose increased risk of loss. Although in recent years governmental intervention has resulted in additional protections for depositors, there can be no assurance that governmental intervention will be successful or avoid the risk of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on Opus' ability to manage the strategies and their investments. Such losses could potentially result in Opus being unable to acquire or dispose of investments at prices that it believes reflect the fair value of such investments. Although Opus expects to exercise contractual remedies under the agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses or delays.

While we strive to develop views or opinions on future cash flows across a range of investment types, the future is uncertain and we cannot predict outcomes with a high degree of precision.

Clients should be prepared to bear the risk of loss that may result from adverse developments across the range of investment types.

### **Item 9—Disciplinary Information**

Opus has no reportable disciplinary history.

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

Opus derives a large amount of its revenue from its advisory relationships with its affiliates, which are property and casualty insurance companies and related businesses. The largest affiliates are The Hanover Insurance Company and Citizens Insurance Company of America. This relationship creates a potential for conflict with unaffiliated clients in terms of competing for management's time as well as investments. Opus addresses this potential conflict by assigning portfolio managers and client administrators to particular clients for whom they are responsible.

Opus makes allocation determinations consistent with clients' Investment Advisory Agreements and in accordance with its procedure to handle the allocation of investments that might be appropriate for multiple clients (the "Investment Allocation Requirements"). To the extent investment allocation requirements are not set forth in relevant clients' Investment Advisory Agreements and/or allow Opus discretion in making allocation decisions among clients, Opus will follow the process set forth below.

Opus' procedure calls for the sharing of investments on a pro rata basis if Opus cannot purchase sufficient quantity of the investment to satisfy the desired amount of each affected client. A portfolio manager may depart from a strictly pro rata allocation: (1) to avoid creating odd lot positions in any account; (2) to allocate a smaller portion to those accounts for which the purchased security would be a peripheral investment and a larger portion to those accounts for which the security would be a core investment; (3) to the extent that the purchased security is especially appropriate for accounts with certain investment goals or risk tolerances; (4) to the extent Opus is required to offer a client an investment opportunity under the Investment Advisory Agreement; and (5) if a client should be excluded from an allocation due to specific legal, regulatory and contractual

restrictions placed on the participation of such client in certain types of investment opportunities.

The factors Opus considers in determining whether an investment is appropriate for multiple client accounts may include: each client's investment objectives, risk tolerance, targeted rate of return, investment guidelines and/or restrictions, cash flow needs, liquidity, reserves, tax implications, debt covenants, as well as legal, contractual or regulatory constraints.

The application of the Investment Allocation Requirements and factors set forth above will, from time to time, result in allocation on a non-pro rata basis and there can be no assurance that a client will participate in all investment opportunities that fall within its investment objectives.

Allocation determinations are inherently subjective and give rise to conflicts of interest due to the inherent biases in the process. For example, in allocating an investment opportunity among clients with differing fee, expense and compensation structures, Opus has an incentive to allocate investment opportunities to clients from which Opus or its related persons derive, directly or indirectly, higher fees, compensation or other benefits. Opus may also have an incentive to allocate more profitable trades to Affiliated Clients. Notwithstanding the foregoing, Opus will not allocate investment opportunities among clients based, in whole or in part, on (i) the relative fee structure or amount of fees paid by any client or (ii) the profitability of any client. While Opus determines how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that Opus' actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which Opus is subject, discussed herein, did not exist.

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

### **Code of Ethics**

Opus has adopted a Code of Ethics that is applicable to all of its Access Persons (as defined below). The Code of Ethics is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (as amended, the "Advisers Act") and contains or establishes guidelines for (i) professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations, (ii) confidentiality of client information, (iii) a prohibition on insider trading, (iv) restrictions on the acceptance of gifts and the reporting of gifts and business entertainment items, (v) service on unrelated company boards and (vi) reporting of brokerage accounts and securities holdings. Opus personnel and their families and households may purchase investments for their own accounts, including the same investments as may be purchased or sold for a client, subject to the terms of the Code of Ethics. Under the Code of Ethics, Opus personnel are also required to file certain periodic reports with Opus' Chief Compliance Officer as required by Rule 204A-1 under the Advisers

Act. The Code of Ethics helps Opus detect and prevent potential conflicts of interest. All Access Persons at Opus must acknowledge the terms of the Code of Ethics at least annually.

Opus personnel who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, demotion, suspension or dismissal. Opus personnel are also required to promptly report any violation of the Code of Ethics of which they become aware.

Opus anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Opus has management authority to effect the purchase or sale of securities in which Opus, its affiliates and/or clients, directly or indirectly, have a position or interest. In doing so, Opus personnel are required to follow Opus' Code of Ethics.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Opus' obligation to achieve best execution. In such circumstances, client accounts will share commission costs equally and receive securities at a total average price. Opus will retain records of the trade order (specifying each participating account) and its allocation. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will generally be allocated on a pro rata basis. Any exceptions will be explained on the order.

Access Persons subject to the Code of Ethics include (i) any director or officer of Opus or any other person who reports directly or indirectly to Opus' President (unless exempted in writing by Opus' President); (ii) any supervised person of Opus who has access to nonpublic information regarding any client's purchase or sale of securities, or nonpublic information regarding the portfolio holdings of any client, or who is involved in making securities recommendations to clients, or who has access to such recommendations that are nonpublic; and (iii) independent contractors or other personnel designated as an Access Person by Opus' President.

All Access Persons are subject to additional trading and reporting restrictions. These restrictions include a requirement to pre-clear personal transactions in Initial Public Offerings, Private Securities transactions and restricted securities (certain exceptions apply).

A copy of the Code of Ethics is available to any client or prospective client upon written request to Opus Investment Management, Inc., 440 Lincoln Street, Worcester, MA 01653, Attn: Lynne McEntegart or by emailing us at [lmcentegart@opusinvestment.com](mailto:lmcentegart@opusinvestment.com).

### **Participation or Interest in Client Transactions**

Personnel and affiliates of Opus may invest alongside clients. Subject to satisfying the Code of Ethics and applicable laws, officers, directors and personnel of Opus may trade for their own accounts in securities which are purchased for Opus' clients. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see "Conflicts of Interest" immediately below. To mitigate these conflicts, the Code of Ethics

imposes restrictions (e.g., blackout periods, holding periods, restricted securities, short sales, and option trading) on trading in securities that are held or may be held in client accounts. Any exceptions to the above must be pre-approved by the Chief Compliance Officer. Such approval will be given only where it is clear that the proposed activity could not create a conflict of interest or harm, disadvantage, or deprive any client of an opportunity. In the event of a conflict of interest, the foremost consideration is what is in the best interest of the client.

### **Conflicts of Interest**

Opus and its affiliates engage in a broad range of activities, including investment activities for their own account and for the account of other clients, and providing transaction-related, investment advisory, management and other services. In the ordinary course of conducting its activities, the interests of a client will, from time to time, conflict with the interest of Opus, other clients and their respective affiliates. Certain of these conflicts of interest, as well as a description of how Opus addresses such conflicts of interest, can be found below.

The material conflicts of interest encountered by a client include those discussed below, although the discussion below does not describe all the conflicts that may be faced by a client. Other conflicts may be disclosed throughout this brochure and the brochure should be read in its entirety for any conflicts.

#### *Resolution of Conflicts*

In the case of all conflicts of interest, Opus' determination as to which factors are relevant, and the resolution of such conflicts, will be made using Opus' best judgment, but in its sole discretion. In resolving conflicts, Opus considers various factors, including the interests of the applicable clients with respect to the immediate issue and/or with respect to their longer-term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors generally mitigate, but will not eliminate, conflicts of interest:

- (1) Opus will consider the appropriateness of an investment from the viewpoint of a client;
- (2) Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in contracts, including the Investment Advisory Agreement, with a client; and
- (3) Opus has adopted and implemented certain policies and procedures designed to reduce certain conflicts of interest.

While Opus endeavors to resolve all conflicts in a fair and impartial manner, there can be no assurance that its own interests will not influence its conduct and decisions.

### *Cross-Transactions*

Opus will not cross trades between unaffiliated client accounts or between affiliated and unaffiliated client accounts. However, Opus will, on occasion, buy and sell securities between accounts of Affiliated Clients. When Opus executes these transactions, it generally obtains prices from a third-party pricing service to ensure that each affiliated account is receiving a fair price for the security bought/sold. Additionally, in connection with such transactions, Opus, its affiliates and/or their professionals may have a direct or indirect interest in the investment (such as by owning shares of a publicly traded company or mutual fund). To address these conflicts of interest, in connection with effecting such transactions, Opus will follow the Investment Allocation Requirements of the relevant clients.

### *Principal Transactions*

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a “principal transaction”), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client’s consent to the transaction. It is Opus’ policy that it will not effect any principal transactions for client accounts. Opus has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable client(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received.

### *Management of Client Accounts*

Opus, including its portfolio managers, manages multiple accounts for clients and accounts for a number of clients that have investment objectives similar to each other. Managing multiple accounts could create potential conflicts of interest, such as those between investment strategies, or allocations of investment opportunities. For example, Opus may give advice or take actions with respect to the investments of one or more clients that may not be given or taken with respect to other clients with similar investment programs, objectives or strategies. As a result, clients with similar strategies will not hold the same securities or achieve the same performance.

In addition, it is expected that Opus personnel responsible for managing a particular client will have responsibilities with respect to other clients managed by Opus, including Affiliated Clients, clients onboarded in the future or to proprietary investments made by Opus and/or its principals of the type made by a client. Conflicts of interest arise in allocating time, services or functions of these Opus personnel. Opus personnel have an incentive to allocate more time, services or

functions to Affiliated Clients or clients from which such personnel derive a higher economic benefit and/or better performing clients.

For certain of its clients, Opus monitors on an on-going basis the tax characteristics of such client's investment activities and account. Occasionally, the timing and substance of investment and trading decisions of Opus is influenced by the expected tax results for such clients that could arise as a result of such decisions. There can be no guaranty that such decisions will result in the expected tax results, nor will all clients necessarily benefit from such decisions, based on their individual tax situations. In seeking to improve the tax efficiency of their investment activities, clients could be exposed to risks that would not have occurred in the absence of such tax considerations, such as changes in market prices and liquidity. Clients that are exempt in whole or in part from taxation are unlikely to benefit from tax considerations that are designed to minimize U.S. taxation and bear the risks of such considerations. Certain clients' accounts and portfolios may diverge from other clients' portfolios due, in part, to tax-efficiency considerations, investment guidelines, subscriptions and redemptions and other factors.

#### *Conflicts Relating to Opus*

By reason of their responsibilities in connection with other activities of Opus, certain Opus personnel may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. If Opus or Opus personnel, or any of their affiliates, receive information they deem material and non-public, whether in connection with a client investment or otherwise clients may become restricted from trading in any publicly issued securities for such companies. Further, clients will not be free to act upon any such information in the course of the rest of its business. Due to these restrictions, clients may not be able to initiate or unwind a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

In addition, clients from time to time invest in securities of companies in which Opus personnel and other related persons of Opus and its affiliates have previously invested for their own accounts. Furthermore, Opus personnel and other related persons of Opus and its affiliates from time to time invest for their own accounts in securities of companies in which clients have previously invested. While the significant interests of Opus personnel generally align the interest of such persons with clients, such persons may have differing interests from clients with respect to such investments, creating conflicts of interest. There can be no assurance that the return of a client participating in a transaction would be equal to and not less than another client participating in the same transaction or that it would have been as favorable as it would have been had such conflicts not existed.

Opus, its affiliates, and shareholders, officers, principals and personnel of Opus and its affiliates may buy or sell securities or other instruments that Opus has recommended to clients. Opus personnel may also buy securities in transactions

offered to but rejected by clients. A conflict of interest may arise because such investing Opus personnel will, for some investments, benefit from the evaluation, investigation, and due diligence undertaken by Opus on behalf of the client. In such circumstances, the investing Opus personnel will not share or reimburse the relevant client(s) and/or Opus for any expenses incurred in connection with the investment opportunity.

In addition, Opus personnel may also buy securities and hold interests as passive investors in other investment vehicles (including private equity funds, hedge funds, real estate funds and other similar investment vehicles) which may include potential competitors of Opus and/or which may invest in similar industries and sectors as the clients. Such Opus personnel have a conflict of interest with respect to their personal investment holdings. There could be situations in which such investment vehicles invest in the same securities or companies as a client. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the clients. Such personnel may be incentivized to cause a client to act in a manner that benefits such other investment vehicles and indirectly, themselves as investors in such investment vehicles.

As stated above, to mitigate these conflicts, the Code of Ethics imposes restrictions on its personnel when trading in securities that are held or may be held in client accounts.

#### *Service Providers*

Services required by a client account (including some services historically provided by Opus to client accounts) may, for certain reasons including efficiency and economic considerations, be outsourced in whole or in part to third parties or licensed software, in each case in the discretion of Opus. Opus and its affiliates will, from time to time, engage common service providers. In certain circumstances, the service provider may charge varying rates or engage in different arrangements for services provided to Opus, its affiliates and/or clients. As a result, Opus or its affiliates may receive a more favorable rate on services provided to it by such a common service provider than those payable by clients, or may receive a discount on services even though clients receive a lesser, or no, discount. This creates a conflict of interest between Opus and its affiliates, on the one hand, and clients, on the other hand, in determining whether to engage such service providers, including the possibility that Opus will favor the engagement or continued engagement of such persons if it, or its affiliates, receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by clients. Clients will not receive the benefit of any such favorable rate or discount provided to Opus.

Opus manages these types of potential conflicts through its policies and procedures, which include allocation policies and procedures, internal trading review processes, compliance department trading oversight, and oversight by directors and independent third parties.

## Item 12—Brokerage Practices

Opus' exercise of discretionary authority to conduct portfolio transactions in publicly traded securities generally conforms to the following practices:

1. Opus places portfolio transactions with broker-dealers it selects and, if applicable, negotiates commissions. Opus may from time to time also execute a client's portfolio transactions with such broker-dealers acting as principals, in which case, no brokerage commissions are payable, but other transaction costs, including mark-ups and mark-downs, are incurred. Opus has not dealt, nor does it intend to deal, exclusively with any particular broker-dealer or group of broker-dealers. It is Opus' policy to seek the best execution, which means obtaining for a client account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer. Best execution is not limited solely to the consideration of the best available commission rate. In evaluating the execution services of a broker-dealer, including the overall reasonableness of brokerage commissions, consideration is given to other objective factors including (i) the firm's general execution and operational capabilities; (ii) willingness and ability to commit capital during all types of market conditions and with all types of securities; (iii) ability to provide investment ideas; (iv) research provided; and (v) its reliability and financial condition.
2. Opus receives no soft dollar benefits for placing client trades with any particular broker-dealer. Opus pays for third party research from various sources with hard dollars. Opus receives unsolicited research from some broker-dealers, but that research is not predicated on any particular volume of business.
3. Opus permits, upon request, that certain brokers be included when we are soliciting bids, subject to most favorable execution of client transactions.

In order to monitor best execution, Opus' Trading Department, in consultation with Opus' Compliance Committee, will periodically monitor broker-dealers to assess the quality of execution of brokerage transactions effected on behalf of Opus and each client.

### *Aggregation of Trades*

Opus and its affiliates may aggregate (or bunch) the orders of more than one client for the purchase or sale of the same publicly traded security. Opus employs this practice because larger transactions may enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. Opus and its affiliates may combine orders on behalf of clients with orders for other clients for which it has trading authority, or in which it or its affiliates have an economic interest. In such cases, Opus and its affiliates generally aggregate trade orders for publicly traded securities so that each participating client will receive the average price for each execution of a transaction.

If an order for more than one client for a publicly traded security cannot be fully executed, allocation shall be made based upon Opus' procedures for allocation of investment opportunities, as described in Item 10 above.

### **Item 13—Review of Accounts**

Accounts which are advised by Opus are reviewed regularly in terms of the credit conditions of fixed income issues owned, the status of fixed income markets, the outlook for the general economy, and alternative investment opportunities. Personnel performing the review function are professional investment portfolio managers and analysts either with extensive training and experience or with direct reporting responsibility to senior, experienced personnel. These include Vice Presidents, Assistant Vice Presidents and Assistant Treasurers.

Frequency of reports varies with accounts. At a minimum, comprehensive written reports are furnished at least quarterly and include market commentary, holdings and transactions.

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

Opus may enter into marketing arrangements with third parties who will refer or solicit investor clients for Opus and receive compensation from Opus for their solicitation efforts. Currently, Opus does not have any active marketing arrangements in place.

One of Opus' associated persons serves as a director of business development. This person markets Opus' advisory services to prospective third-party clients and receives a salary and incentive compensation based generally on corporate results of the Hanover enterprise.

### **Item 15—Custody**

Clients receive account statements at least quarterly from the broker-dealer, bank or other qualified custodian that holds and maintains their investment assets. Clients receive custody statements directly from the custodian and Opus urges clients to carefully review

such statements and compare the official custodial records to the account statements that Opus provides.

### **Item 16—Investment Discretion**

Opus typically receives discretionary authority from a client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account, as set forth in the Investment Advisory Agreement.

When selecting securities and determining amounts, Opus observes the investment policies, limitations and restrictions of the clients that it advises. Some clients may place restrictions on the sale of certain securities, including those held on deposit with the client's regulator.

Investment guidelines and restrictions must be provided to Opus in writing and are usually included as part of the Investment Advisory Agreement, which grants Opus discretionary authority to buy and sell securities on behalf of the client.

### **Item 17—Voting Client Securities**

Opus does not perform proxy voting solicited by, or with respect to, the issuers of any securities held in the client accounts. Opus will promptly provide the client with all proxy materials and/or materials that it receives relating to the assets in the client account (but only to the extent that it has received such materials) but shall not take any action with respect to the voting of such proxies. However, Opus will provide such advice with respect thereto as clients may reasonably request.

Clients may obtain a copy of the proxy voting policies and procedures by contacting Lynne McEntegart at 508-855-6689 or [lmcentegart@opusinvestment.com](mailto:lmcentegart@opusinvestment.com).

### **Item 18—Financial Information**

Opus does not have any financial condition that is reasonably likely to impair its ability to meet its contracted commitment to any client.