

PART 2A OF FORM ADV – FIRM BROCHURE

HONEYWELL CAPITAL MANAGEMENT LLC

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This brochure provides information about the qualifications and business practices of Honeywell Capital Management LLC (“HCM”). If you have any questions about the contents of this brochure, please contact us at (973) 455-3062. 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.

Additional information about HCM also is available on the SEC’s website at www.adviserinfo.sec.gov.

REGISTRATION WITH THE SEC AS AN INVESTMENT ADVISER DOES NOT IMPLY THAT HCM OR ANY PRINCIPALS OR EMPLOYEES OF HCM POSSESS A PARTICULAR LEVEL OF SKILL OR TRAINING IN THE INVESTMENT ADVISORY OR ANY OTHER BUSINESS.

Material Changes

The material changes to this brochure since the last version, dated March 2023, are limited to the update of the amount of assets under management by HCM to \$13,695,583,634 and the addition of language describing artificial intelligence risks.

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Advisory Business

HCM is a Delaware limited liability company formed in November 1997. HCM is a wholly-owned subsidiary of Honeywell International Inc., a global diversified technology and manufacturing company (“Honeywell”).

HCM commenced operations in 1997 as Allied Capital Management LLC. HCM provides discretionary investment advisory advice to pension plans and other types of employee-benefit plans sponsored by Honeywell.

HCM is generally granted broad investment authority over the management of the accounts of its clients, and employs several investment strategies on behalf of its clients. All client accounts are managed in an effort to maximize total return through investment in a wide range of public and private securities and other financial instruments. In addition to fixed income securities issued by public and private companies (whether in public or private placements), as well as options and futures thereon, HCM offers advice on and, on behalf of clients, invest in the following: dollar-denominated debt of governments or companies in foreign markets; convertible securities and bridge loans (including transactions that offer an equity-based component of return through associated warrants, options or other equity features); and commingled funds. HCM does not limit its advice to a particular type of security and the investments of its clients will not be limited except as reflected in the documents that govern HCM’s operation of the accounts (the “Governing Documents”).

For accounts that are part of the Honeywell-sponsored U.S. Master Retirement Trust, HCM offers advice on, among other things, interests in partnerships that invest in debt of public and private companies, asset allocation, selection and/or termination of external investment managers, transition services, and investment policy and strategy. HCM uses a variety of analytical methods in providing advisory services to its clients. HCM manages all assets on a discretionary basis based on the investment objectives, risk profile, financial situation and cash flow needs of each client, as reflected in the Governing Documents. HCM has entered into an investment management agreement with certain clients, and operates pursuant to Honeywell’s delegation of authority as to those clients. This delegation of investment authority is documented by resolutions of the Honeywell Pension Investment Committee, the entity responsible for administering the assets of such clients, as well as a written statement of investment objectives, guidelines and restrictions for such clients. HCM may agree with each client, pursuant to the Governing Documents, to investment restrictions or guidelines as to the types or amounts of securities or other financial instruments that may be purchased or sold for the client’s account. HCM pursues different investment strategies for different clients.

HCM does not participate in any wrap fee programs.

As of December 31, 2023, the amount of assets HCM manages on a discretionary basis was \$13,695,583,634.

Fees and Compensation

Compensation and Fee Schedules

All clients are “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended, and therefore this information is not required.

Deduction of Fees

HCM invoices its clients for investment advisory services on a quarterly basis in arrears.

Other Fees and Expenses

In addition to the fees payable to HCM, clients of HCM will incur certain other expenses or charges. The direct expenses incurred by HCM in providing services to accounts of the Honeywell-sponsored U.S. Master Retirement Trust are reimbursed to HCM from the U.S. Master Retirement Trust in arrears on the basis of time allocations kept by HCM employees and periodic audits by an independent auditor. Other expenses payable by clients of HCM include any sales or other taxes, fees or government charges assessed against the account of a client; commissions, brokerage fees and similar charges incurred in connection with the purchase or sale of securities (including any merger fees payable to third parties and whether or not any such purchase or sale is consummated); indemnification obligations and expenses; expenses attributable to normal and extraordinary investment banking, commercial banking, accounting, auditing, appraisal, tax advisory, tax preparation, legal, external consulting, custodial and registration services provided to HCM’s clients; premiums for liability insurance; and the costs and expenses for tax and audit services.

The section titled “Brokerage Practices” describes the factors HCM considers in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

Timing of Payments

Advisory fee payments are generally payable quarterly in arrears. Please refer to the Governing Documents for more complete information on the timing of advisory fee payments for each client. Upon termination of any account, any earned, unpaid fees will be due and payable, based on the number of days during the period services were rendered to the client during the preceding quarter.

Transaction-Based Compensation

Neither HCM nor its supervised persons will receive any transaction-based compensation for the purchase or sale of securities or other investment products by any client.

Performance-Based Fees and Side-by-Side Management

Not applicable.

Types of Clients

Types of Clients

HCM provides advice to pension plans and other types of employee-benefit plans sponsored by Honeywell, by providing investment management and supervisory services to separate accounts of the trusts established for such employee-benefit plans.

Minimum Investment Requirements

HCM does not require any minimum initial balance to manage the account of a client. However, HCM only manages accounts of Honeywell pension plans and employee benefit plans.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

HCM analyzes fixed income investments, and potential investments, based upon fundamental analysis of potential portfolio companies, focusing on factors such as the business models and earnings prospects of such companies. HCM generally aims to purchase the securities of companies whose businesses have growth prospects, but whose securities remain reasonably valued in relation to such potential growth. HCM will evaluate a prospective portfolio company in a variety of ways, including an analysis of the company's industry, management team, overall financial performance, and general position within an industry.

In making specific decisions to buy or sell securities, HCM also evaluates short-term factors in the financial markets, in an effort to opportunistically buy or sell securities when HCM believes that their valuations have become distorted relative to the future prospects of the underlying issuers.

HCM's principal sources of information include quarterly and annual reports, personal interviews with directors and officers of potential portfolio companies, visits to such companies' offices and operations, SEC filings (if available), general industry knowledge, and contacts with other participants in the relevant industry and financial markets.

Material Risks

The task of identifying investment opportunities and managing such investments is difficult. There can be no assurance that HCM will be able to choose, make and/or realize any particular investment. All investing in securities involves a risk of loss that investors should be prepared to bear. The investment performance and the success of any investment strategy or particular investment can never be predicted or guaranteed, and the value of a client's investments will fluctuate due to market conditions and other factors. In particular, there can be no guarantee of the capital, rate of return on capital or generation of income or of the investment performance of the clients of HCM. The investment decisions made and the actions taken in managing client assets are subject to various market, liquidity, currency, economic, political and other risks, and investments may lose value. Potential HCM clients should carefully consider, among other factors, the following material risks involved with HCM's investment strategies.

The following list of risks is not exhaustive. Many of these risks are outside the control of HCM and there can be no guarantee that the clients of HCM will achieve their stated objectives.

Equity Securities. HCM generally does not invest in equity or equity-related securities for its clients. However, at times HCM's clients will receive equity securities in a workout or bankruptcy proceeding. Equity or equity-related investments by their nature involve business, financial, market and/or legal risks. Equity securities fluctuate in value, often based on factors unrelated to the intrinsic value of the issuer of the securities. The market price of equity securities may be affected by general economic and market conditions, such as a broad decline in stock market prices, or by conditions affecting specific issuers, such as changes in earnings forecasts. Prices of

the investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of a client of HCM.

Fixed Income Securities. HCM may invest, on behalf of its clients, in bonds and other fixed income securities, including commercial paper and “higher yielding” (and, therefore, higher risk) debt securities. Debt securities may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. Debt securities are subject to the risk of the issuer’s inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to the risk of price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness or financial condition of the issuer, and general market liquidity (*i.e.*, market risk). Such securities may be below “investment grade” and face ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the issuer’s inability to meet timely interest and principal payments. The market values of lower rated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities, and tend to be more sensitive to economic conditions than are higher rated securities. Companies that issue such securities often are highly leveraged and may not have available to them more traditional methods of financing. A major economic recession could severely disrupt the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

Convertible Instruments. HCM may invest in convertible instruments, which may have varying conversion values. If a convertible instrument is called for redemption, the owner may be required to redeem the instrument, or convert it into the underlying stock. Any of these actions may have an adverse effect on the client.

Public Health Emergencies. Public health emergencies such as the outbreak of coronavirus (“*COVID-19*”) may have an adverse effect on the client. The uncertainty surrounding the dangers and impact of public health emergencies may create significant disruption in supply chains and economic activity, resulting in rapid increases in unemployment, and have a particularly adverse impact on transportation, hospitality, tourism, sports and entertainment, retail, energy and other industries.

Any public health emergency or the threat thereof and the resulting financial and economic market uncertainty could have a significant adverse impact on the markets and could adversely affect an account’s ability to fulfill its investment objectives.

The extent of the impact of any public health emergency on the markets will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence, unemployment and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain, cannot be predicted and are beyond the control of HCM.

Futures. Futures prices are highly volatile. Such volatility may lead to substantial risks, generally much larger than in the case of equity or fixed-income investments. HCM may trade futures on a leveraged basis due to the low margin deposits normally required for trading. As a result, a relatively small price movement in a futures contract may result in immediate and substantial gains or losses for such clients. Certain exchanges do not permit trading particular futures at prices that represent a fluctuation in price during a single day's trading beyond certain set limits, which could prevent such clients from promptly liquidating unfavorable positions, potentially subjecting them to substantial losses.

Geopolitical Risk. Investing inherently involves the risk of potential adverse impacts from geopolitical events. Geopolitical risks can range from diplomatic conflicts to military confrontations, including war. These events can lead to instability in a country or region, disrupt global trade, increase energy prices and contribute to broader inflationary pressure, and can adversely affect global markets and economies. For example, in late February 2022, Russia launched a large-scale military attack on Ukraine, which significantly amplified already existing geopolitical tensions among Russia, Ukraine, Europe, NATO and the West, including the U.S. In response, various countries, including the U.S., the United Kingdom, and the European Union issued broad-ranging economic sanctions against Russia, and may impose additional sanctions in the future. Geopolitical events could increase financial market volatility, cause severe negative effects on regional and global economic markets, industries, and companies and have a negative effect on investments and performance.

Options. HCM may invest in, or write, options. The purchaser of a put or call option runs the risk of losing his, her or its entire investment in a relatively short period of time if an option expires unexercised. The uncovered writer of a call option is subject to a risk of loss should the price of the underlying security increase, and the uncovered writer of a put option is subject to a risk of loss should the price of the underlying security decrease.

Non-U.S. Investments. While HCM generally provides investment advice in connection with investments in securities issued by U.S. companies, it may also provide investment advice in connection with securities issued by companies with significant operations outside the United States, securities denominated in foreign currencies and/or securities traded outside of the United States. Such investments require consideration of certain risks typically not associated with investing in U.S. securities or property. There may be less publicly available information about certain foreign companies than would be the case for comparable companies in the United States and certain foreign companies. Additional risks include: (i) risks of economic dislocations in the host country; (ii) greater difficulty of enforcing legal rights in a foreign jurisdiction; (iii) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets; (iv) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and differences in government supervision and regulation; (v) certain economic and political risks, including potential exchange control regulations, potential restrictions on foreign investments and repatriation of capital and the risks associated with political, economic or social instability, diplomatic developments and the possibility of expropriation or confiscatory taxation; and (vi) the possible imposition of non-U.S. taxes or additional U.S. taxes on income and gains recognized as to such securities. The economic and political impact of the ongoing exit of the United Kingdom

from the European Union is uncertain at this time and may ultimately result in a material adverse impact on some or all of a client of HCM's investments.

Illiquid Assets. Certain investment positions may be or become illiquid. A portfolio may invest in "restricted" or non-publicly traded securities or thinly-traded securities. It may not be easy to dispose of such non-publicly or thinly-traded securities, and in some cases, there may be contractual restrictions preventing the disposal of securities for a specified period of time. An exchange or regulatory authority may suspend trading in a particular security or contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. Such investments may require a significant amount of time from the date of initial investment before disposition.

Swaps and Derivatives. HCM may invest and trade in swaps, including credit default swaps, "synthetic" or derivative instruments, over-the-counter options and other customized financial instruments issued by banks, brokerage firms or other financial institutions. Swaps and other derivatives are subject to the risk of non-performance by the swap counterparty, including risks relating to the financial soundness and creditworthiness of the swap counterparty. Swaps and other forms of derivative instruments are not guaranteed by an exchange or clearing house. Certain swaps are not currently regulated by any U.S. or foreign governmental authority. It may not be possible to dispose of or close out a swap or other derivative position without the consent of the counterparty, and such clients may not be able to enter into an offsetting contract in order to be able to cover its risk.

Repurchase Agreements. HCM may cause its clients to enter into repurchase agreements, which may be viewed as a type of secured lending by such client, and which typically involve the acquisition by such client of debt securities from a selling financial institution, such as a bank, savings and loan association, or broker-dealer. In a repurchase agreement, the client of HCM purchases a debt security from a seller who undertakes to repurchase the security at a specified resale price on an agreed future date (ordinarily a week or less). The resale price generally exceeds the purchase price by an amount that reflects an agreed-upon market interest rate for the term of the repurchase agreement. The principal risk is that, if the seller defaults, the client of HCM might suffer a loss to the extent the proceeds from the sale of the underlying securities and other collateral held by the client in connection with the related repurchase agreement are less than the repurchase price.

Transaction Costs. Certain investment strategies may involve a high level of trading and turnover of the client portfolio's investments, which may be higher than the average for other more traditional portfolios and accordingly the level of commissions paid and other transaction costs borne by the client are likely to be higher than average.

Economic and Market Risk. Financial instruments in which HCM invests may be sensitive to general downward swings in the overall economy or in the sectors in which such companies operate. Factors affecting economic conditions, including, for example, the availability of credit, inflation rates, industry conditions, competition, technological developments, domestic and worldwide political, military and diplomatic events and trends, regional or global pandemics, tax laws and innumerable other factors, none of which will be within the control of HCM, can affect substantially and adversely the business and prospects of a client of HCM. A drawn-out recession,

downturns in the economy or adverse developments in the securities or credit markets may have an adverse impact on some or all of a client of HCM's investments. A sustained period of inactivity and/or low valuations in the public markets could result in substantially lower liquidation value and substantially longer periods before liquidity is achieved, which would reduce the returns that could be achieved by a client of HCM.

Financial Institution Insolvency Risk. Actual events involving reduced or limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions or other companies in the financial services industry, including banks and other custodians of an investor's funds and securities, or impact the financial services industry generally, as well as concerns or rumors about any events of these kinds, have in the past and may in the future lead to market-wide liquidity problems, defaults on financial obligations, non-performance of contractual obligations, and other adverse impacts on these financial institutions, investors that deposit funds and securities at these institutions, lenders and borrowers of these institutions, and other companies in the financial services industry. For example, on March 10, 2023, Silicon Valley Bank, was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation as receiver. Investor concerns regarding the U.S. or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult to acquire financing on acceptable terms or at all. Any decline in available funding or access to cash and liquidity resources could, among other risks, adversely impact the ability to meet operating expenses, satisfy financial obligations, liquidate portfolio holdings, withdraw capital, or fulfill other obligations, or result in breaches of financial and/or contractual obligations. Any of these impacts, or any other impacts resulting from the factors described above or other related or similar factors not described above, could have material adverse impacts on portfolio holdings, fund performance, or business operations.

Regulatory Risk. Future legal, tax and regulatory developments could occur that may adversely affect HCM and its clients. Securities and futures markets are subject to comprehensive statutes, regulations and margin requirements enforced by the SEC, other U.S. and non-U.S. regulators and self-regulatory organizations and exchanges authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions. The regulatory environment for private funds has evolved, and changes in the regulation of private funds and their investment activities may adversely affect the ability of investors to pursue certain investment strategies, the ability to obtain leverage and financing, and the value of certain investments. In 2010, the U.S. Congress enacted sweeping financial legislation (the "Dodd-Frank Act") regarding the operation of banks, private fund managers and other financial institutions, which included provisions regarding the regulation of derivatives. The continuing impact of the Dodd-Frank Act, and of follow-on regulation, on certain trading strategies and operations is impossible to predict, and may be adverse. The effect of any future regulatory changes on HCM and its clients could be substantial and potentially adverse.

Cybersecurity Risks. HCM's service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect HCM

and its clients, despite the efforts of HCM and the clients' service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to a client. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to the systems of HCM, a client's service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of HCM's systems to disclose sensitive information in order to gain access to HCM's data or that of a client. A successful penetration or circumvention of the security of HCM's systems could result in the loss or theft of a client's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause a client, HCM or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. Similar types of operational and technology risks are also present for the underlying investments in which a client would invest, which could have material adverse consequences for such client, and may cause the client's investments to lose value.

Artificial Intelligence Risk. Broadening use of artificial intelligence, including so-called generative artificial intelligence, presents investment and other risks. Artificial intelligence can yield anomalous and incorrect results (sometimes called "hallucinations") because the technology is still in development, artificial intelligence algorithms or training methodologies may be flawed. datasets may be limited, dated, overbroad, insufficient, or contain biased information and other factors. Where we use artificial intelligence in formulating advice or for other purposes, we seek to evaluate the artificial intelligence technology and monitor its performance (including for anomalous or unreliable results), but the complexity and non-transparent nature of artificial intelligence, including any self-learning or generative aspects that allows artificial intelligence to continually be modified and evolve (including without human involvement) may complicate if not impede these efforts, and in some cases can be expected to limit our ability to detect or identify aberrations until well after the fact. Artificial intelligence is subject to regulation by global, national and other regulators.

Disciplinary Information

HCM and its principals have not been the subject of any material legal proceeding required to be disclosed in response to this item.

Other Financial Industry Activities and Affiliations

Registered Broker-Dealers

None of HCM or its management persons are registered as a broker-dealer or a registered representative of a broker-dealer. In addition, HCM and its management persons are not affiliated with any broker-dealer, bank or other financial services firm.

Registered Futures Commission Merchants, Commodity Pool Operators and Commodity Trading Advisors

None of HCM or any of its management persons are registered as a registered futures commission merchant, commodity pool operator or commodity trading advisor.

Relationships with Related Persons

Dominick DeAlto, the Chief Executive Officer of HCM, also serves as a Vice-President, Investments, of Honeywell. In that capacity, Mr. DeAlto is a member of the Honeywell Pension Investment Committee (the “PIC”), the committee responsible for administering certain Honeywell employee-benefit plans. Some of these plans are clients of HCM, and the PIC may determine which investment advisers are selected to manage the assets of the Honeywell plans. In order to avoid the appearance of a conflict of interest, Mr. DeAlto does not participate in the deliberations or the decision-making of the PIC where the PIC may be required to decide whether HCM should manage some or all of the assets that the PIC is responsible for administering.

Robert Shin, an employee of HCM, is a member of the Honeywell Canadian Pension and Savings Committee (the “Canadian Pension Committee”), the committee responsible for administering the Canadian employee-benefit plans of Honeywell, which are clients of HCM. Mr. DeAlto and Mr. Shin also serve as directors of the Honeywell CIF Trustee Limited (the “Trustee”), which serves as trustee of the Honeywell Common Investment Fund (the “CIF”), a client of HCM. As directors of the Trustee, Mr. DeAlto and Mr. Shin share certain investment oversight responsibilities for the CIF. Mr. DeAlto and Mr. Shin are subject to the Trustee’s conflict of interest policy, which generally prohibits Mr. DeAlto and Mr. Shin from voting on decisions regarding the relationship between the CIF and HCM, and that contains other procedures designed to avoid any actual or perceived conflict of interest. Mr. Shin is subject to a similar conflict of interest policy for the Canadian Pension Committee, which generally prohibits Mr. Shin from voting on decisions regarding the relationship between the Canadian pension plans overseen by the Canadian Pension Committee and HCM (as well as certain other procedures).

Selection or Recommendation of Other Advisers

HCM does not recommend or select other investment advisers for its clients and receive compensation from such advisers in a manner that would create a material conflict of interest. HCM does not have other business relationships with other advisers that create a material conflict of interest.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

HCM has adopted a Code of Ethics under Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”) expressing HCM’s commitment to ethical conduct. The Code of Ethics requires HCM employees to conduct their personal investment activities in a manner to avoid actual or potential conflicts of interest with HCM’s clients and HCM itself. The Code of Ethics prohibits HCM employees from benefiting from transactions in clients’ accounts. The purchases and sales of securities by supervised persons with access to client investment recommendations will be permitted only after clients’ positions have been acquired or liquidated, as the case may be. Such supervised persons are also prohibited from investing in initial public offerings, private placements, certain short-term trading arrangements and the short selling of securities that are held in client accounts. To enforce the Code of Ethics, personal holdings are subject to periodic reports to HCM and certain personal trades are subject to preclearance procedures and blackout periods. The Code of Ethics also sets forth HCM’s policies on receipt of gifts by employees and the provision of campaign contributions by covered associates. Under HCM’s Code of Ethics, all supervised personnel have a duty to act only in the best interests of the

clients of HCM and all potential conflicts and violations of the Code of Ethics must be promptly reported to HCM's Chief Compliance Officer ("CCO"). All supervised personnel must acknowledge the terms of the Code of Ethics annually, or as amended. It is the expressed policy of HCM that no person employed by HCM shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decisions of advisory clients.

HCM requires that all individuals act in accordance with all applicable federal and state regulations governing investment advisory practices. HCM's Code of Ethics also includes the firm's policy prohibiting the use of material non-public information. Any individual not in observance of the above may be subject to discipline or termination. HCM will provide a complete copy of its Code of Ethics to any person upon request.

Participation or Interest in Client Transactions; Personal Trading

Before HCM makes a recommendation that a client of HCM buy or sell a security, all related persons that have direct ownership of such security at the time of such recommendation are required to disclose such interest to HCM and will not be permitted to participate in the discussions or authorizations to recommend that a client of HCM buy or sell such security.

In certain situations, related persons of HCM are permitted to purchase interests in portfolio investments held by one or more clients of HCM. All such purchases are subject to compliance with HCM's Code of Ethics as described above.

Brokerage Practices

For fixed income transactions, HCM takes into consideration best price and execution quality under the circumstances in order to seek best execution. In light of the nature of the fixed income market, HCM does not evaluate best execution on a transaction-by-transaction basis, but on an overall basis over an extended period of time.

Research and Other Soft Dollar Benefits

On occasion, HCM will receive equity securities in a workout or bankruptcy proceeding. Section 28(e) of the Securities Exchange Act of 1934, as amended, permits HCM, under certain circumstances, to cause client accounts to pay a broker or dealer a commission for effecting a transaction in equities in excess of the amount of commission another broker or dealer would have charged for effecting the transaction in recognition of the value of brokerage and research services provided by the broker or dealer. This may be done without prior agreement or understanding by the client (and done at HCM's discretion) and will provide HCM with a benefit because it will not have to produce or pay for the research, products or services. In addition, HCM may have an incentive to select a broker-dealer based on its interest in receiving the research or other products or services, rather than on a client's interest in receiving most favorable execution. Brokerage and research services include: (1) furnishing advice as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; and (2) furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts. In the case of research services, HCM believes that access to independent investment research can be beneficial to its investment decision-making processes and, therefore, to each client account.

HCM currently does not have any soft dollar arrangements with brokers-dealers, as the amount of its equity trading is minimal.

Brokerage for Client Referrals

Not applicable.

Directed Brokerage

Not applicable.

Trade Aggregation

HCM may place a combined order for two or more accounts it manages engaged in the purchase or sale of the same security if, in its judgment, joint execution is in the best interest of each account and will result in a more favorable price and execution. Transactions involving commingled orders are allocated in a manner deemed equitable to each account. Although it is recognized that, in some cases, the joint execution of orders could adversely affect the price or volume of the security that a particular account may obtain, it is the opinion of HCM that the advantages of combined orders outweigh the possible disadvantages of separate transactions. Nonetheless, HCM believes that the ability of an account to participate in higher volume transactions will generally be beneficial to the account. HCM will always take into account each client's investment objectives and investment allocation policy in the allocation process. In general, if orders for an investment cannot be completely filled, the orders are allocated either (a) *pro rata* among the clients participating in an aggregated transaction or (b) on a basis other than *pro rata* if such other method of allocation is reasonable and does not result in an improper disadvantage/advantage to one participating client as compared to another client, taking into account multiple criteria, including specific client objectives, the size of the client account and capital available for investment, the client's diversification needs, the size of the opportunity, and current and anticipated market conditions.

Review of Accounts

Review of Client Accounts

Each portfolio manager is responsible for continuously monitoring the client accounts for which he or she has primary responsibility to ensure they are being managed in a manner consistent with established objectives for the account and the client's investment guidelines, if any. The frequency and scope of the review for each account is based on a combination of factors, which include the type of client, size and complexity of the relationship, type of client mandate, types of investment products used, general market conditions and specific client needs and objectives. Additionally, an officer of HCM will periodically review client accounts for both compliance with stated investment objectives and non-routine trading practices. There is no sequence in which accounts will be reviewed. All accounts will be treated on a fair and equal basis in respect of review and management, regardless of size. Portfolios will vary as to their composition based on client objectives, tolerance for risk and return volatility, along with other related factors. Each review is conducted by one or more of the following supervised persons:

Supervised Person	Title
Wen-Ching Wang	Director, Senior Portfolio Management
Gregory P. Mistele	Director, Senior Portfolio Management

Reports to Clients

HCM reports written account valuations, as provided by each client's custodian, to its clients on a quarterly basis. HCM also supplies to its clients, upon request, a complete transaction list for each client account, as well as monthly asset holdings.

Client Referrals and Other Compensation

Economic Benefits Received from Third Parties

Not applicable.

Third Party Compensation for Client Referrals

Not applicable.

Custody

HCM does not have custody of any client funds or securities.

Investment Discretion

Subject to the investment objectives, policies and restrictions of each HCM client account as set forth in the Governing Documents of such client account, HCM has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each client, including the selection of, and commissions paid to, broker-dealers.

Voting Client Securities

Because HCM has, or will accept, authority to vote securities held by a client, it has adopted a proxy voting policy (the "Proxy Policy") that has been designed to ensure that HCM complies with the requirements of Rule 206(4)-6 and Rule 204-2(c)(2) under the Advisers Act, and reflects HCM's commitment to vote all client securities for which it exercises voting authority in a manner consistent with the best economic interest of the client. HCM's portfolio management department will be primarily responsible for monitoring the proxy voting process for securities held in the portfolios of its clients. HCM expects not to vote proxies often, as it generally does not invest in equity securities, but may receive them as part of a workout or bankruptcy proceeding.

Included in the Proxy Policy are the HCM's (i) voting guidelines for certain recurring and non-recurring proxy issues, such as the election of directors, the appointment of auditors, defenses for proxy contests, tender offer defenses (such as poison pills), corporate governance matters, executive and director compensation, and mergers and restructurings and (ii) procedures for processing and voting proxies received on behalf of clients, as well as identifying and resolving conflicts of interest. A copy of the Proxy Policy will be provided, upon request, to any client. All advisory clients are also entitled, upon request, to the records of proxies received and voted on their behalf by HCM. Clients should contact HCM at (973) 455-3062 with any such requests.

From time to time, proxy voting proposals raise conflicts between the interests of HCM's clients and the interests of HCM, its employees or its affiliates. If a material conflict exists, HCM takes steps to ensure that its voting decision is based on the best interests of the client and is not a product

of the conflict. For any proposal where HCM determines it has a material conflict of interest, HCM may, at its discretion, vote a proxy regarding such proposal in any of the following manners: (i) HCM may refer the proposal to the client and obtain instructions from the client on how to vote the proxy relating to that proposal; (ii) if HCM is in a position to disclose the conflict to the client (i.e., such information is not confidential), HCM may determine how it proposes to vote the proposal on which it has a conflict, fully disclosing the nature of the conflict to the client, and obtain the client's consent as to how HCM will vote on the proposal (or otherwise obtain instructions from the client on how the proxy on the proposal should be voted); (iii) HCM may vote according to the Proxy Policy, so long as the subject matter of the proposal is specifically addressed in the Proxy Policy such that HCM will not be exercising discretion on the specific proposal raising a conflict of interest; or (iv) HCM may use an independent third party to recommend how the proxy should be voted (or to have the third party vote such proxies).

Financial Information

HCM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and HCM has not been the subject of a bankruptcy proceeding.