



# Strategic Income Management, LLC

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This Brochure provides information about the qualifications and business practices of Strategic Income Management, LLC (“SiM” or “Adviser”). If you have any questions about the contents of this Brochure, please contact us at (206) 971-3773 or [ClientRelations@sim-llc.com](mailto:ClientRelations@sim-llc.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Strategic Income Management, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

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

## **Item 2 - Material changes to this Brochure**

There have been no material changes to this Brochure since our last annual amendment on March 1, 2023. We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year. We may further provide other ongoing disclosure information about material changes as necessary. We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Our Brochure may be requested by contacting Timothy Black at (206) 529-3247 or [tblack@sim-llc.com](mailto:tblack@sim-llc.com). Our Brochure is also available on our website [www.sim-llc.com](http://www.sim-llc.com), free of charge.

Additional information about Strategic Income Management, LLC is also available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with us who are registered, or are required to be registered, as investment adviser representatives of Strategic Income Management, LLC.

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## Item 4 – Advisory Business

SiM provides fixed income high yield investment advisory services to institutional clients such as mutual funds, and pension plans. We began operations on October 1, 2010. Our principals have many years of experience in the investment management industry. Our owners are Gary Pokrzywinski, Brian Placzek, Tim Black, Ryan Larson, and Kevin Power.

**Types of advisory services we offer.** SiM manages accounts for institutions on a discretionary basis, which means that SiM makes the decisions with respect to which securities to buy or sell for SiM's clients' accounts.

Currently, SiM acts as subadvisor for a mutual fund (the "Registered Fund") registered under the Investment Company Act of 1940, as amended (the "Company Act"), as subadvisor for two European Collective Investment Funds (the "EU Funds"), and as a separate account manager for three institutions (the "Separate Accounts"). The Registered Fund, the EU Funds, and the Separate Accounts are collectively referred to as "Clients."

Each Client follows a fixed income high yield strategy managed by our high yield investment team.

The high yield investment team makes and executes investment decisions on behalf of our Clients. SiM tailors its investment advice to individual client needs on a case-by-case basis. Requests for specific restrictions on investment are entertained on an as-needed basis.

As of December 31, 2023, SiM managed \$1,916.74 million for institutional clients. All of these accounts are discretionary.

## Item 5 – Fees and Compensation

SiM charges annual management fees that are computed and paid in arrears monthly or quarterly based upon the average account value for the prior period. SiM's fee rates vary on a portfolio-by-portfolio basis depending upon the size and type of the account, and whether SiM is the sole manager or if SiM is one of a group of managers for an account. Fees are negotiated with each client depending on the characteristics of the account and can range from 20bps to 60bps.

Pursuant to an individual agreement with each Client, SiM manages such Client's assets in accordance with the account's investment objectives and policies. Each agreement and its fees are individually negotiated. The investment advisory agreement with the Registered Fund is subject to annual renewal by the Registered Fund's board of trustees in accordance with the requirements under the Company Act. For more information concerning the investment advisory fees for the Registered Fund, please consult the Registered Fund's prospectus and statement of additional information ("SAI") on file with the Securities and Exchange Commission.

In addition to the advisory fees described above, each Client pays its own brokerage fees, administration, custodian and other charges and or expenses (together with any value added, goods and services, sales or other tax applicable) or reimburses SiM for such expenses it incurs on the Client's behalf. Item 12 further describes the factors that SiM considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

Clients generally do not pay fees in advance. However, if a particular Client and SiM adopt a fee arrangement that calls for payment of fees in advance, upon redemption or termination of the advisory relationship or upon investment other than at the beginning of the normal investment cycle, SiM will refund fees for the period of time that SiM did not provide advisory services and/or charge that Client only for the actual period of time that SiM provided advisory services.

**Multi Manager Funds and Institutional Separate Accounts.** Some mutual funds use several different managers to manage different strategies within the same fund. Institutional separate account fees, including those applicable in multi-manager mutual funds, are negotiated directly with each account holder or fund manager, and vary depending upon the account size and strategy pursued.

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

SiM does not charge performance-based fees. To the extent that SiM charges a performance-based fee in the future, any actual or potential conflicts of interest are addressed by SiM's aggregation and allocation policies which are designed to provide fair and equitable treatment for all of SiM's clients over time.

Please refer to Items 11 and 12 for a more detailed discussion of SiM's allocation and aggregation policies and procedures.

## **Item 7 – Types of Clients**

SiM currently provides high yield fixed income portfolio management services, as sub adviser, to the Registered Fund and the EU Funds, and to the Separate Accounts as a separate account manager. In the future, SiM may also provide portfolio management services to corporate pension and profit- sharing plans, Taft-Hartley plans, charitable institutions, endowments, municipalities, and other U.S. and international institutions.

The minimum account size for institutional high yield clients is \$15 million. The minimums may be waived or reduced by SiM in its sole discretion.

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

SiM focuses its investment management in high yield fixed income.

### High Yield Portfolio Management Philosophy

We are active managers, understanding the significance of a differentiated long term market approach to deliver the best possible results for our clients. Our investment philosophy is high conviction, index agnostic, and differentiated.

Our investment process encompasses the following characteristics:

**Core Portfolio:** The Core Portfolio is built upon three key principles designed to achieve outperformance throughout a complete economic cycle. The first principle centers around identifying and capitalizing on long-lasting secular trends and themes, which provide sustained tailwinds over an extended period. An excellent example of this approach is capturing the shifting global demographics. The second principle emphasizes investing in industries that align with the characteristics of the High Yield asset class. Given the high level of debt inherent in high yield investments, we focus on industries with more stable cash flows, such as Healthcare, Consumer Non-cyclicals, and Leisure, as they can effectively support this level of debt. Conversely, we tend to avoid industries that struggle to sustain high debt levels, such as Cyclical and capital-intensive sectors. The final principle involves investing in "good businesses." For us, good businesses possess a competitive advantage, align with our ideal financial structure if we were the CFO, exhibit reduced volatility during economic downturns, demonstrate a strong return on invested capital ("ROIC"), and maintain an attractive total debt-to-annual available free cash flow ratio, which we measure as years required to repay debt after appropriate capital expenditures and reinvestment back into the business.

**Out-of-Favor Opportunities:** Our core investment philosophy guides us toward strong businesses and industries within the High Yield asset class. In addition to this, we actively seek out-of-favor sectors and industries to uncover additional value. It's important to note that we do not have a predefined target for Out-of-Favor investments; instead, we capitalize on market dynamics as it oscillates between greed and fear, presenting us with compelling opportunities. Our evaluation of out-of-favor industries follows a defined process that mitigates risk. We adhere to three guiding principles when examining such opportunities. Firstly, the industry must have a viable outlook with the expectation of improved demand at some point in the future. Secondly, we look for catalysts that can bring about positive change within the industry. Often, this catalyst arises from basic economic principles such as supply reduction. Once we identify an industry of interest, we conduct in-depth analysis of both the industry itself and potential issuers within it. The third principle revolves around ensuring we have a sufficiently long liquidity runway of 3-5 years, allowing the industry ample time to correct itself. We seek companies that can weather the storm over this period, prioritizing quality over simply choosing the cheapest options available. By following these three principles, with an emphasis on establishing a long liquidity runway, we effectively manage risk associated with out-of-favor investments.

**Taking Advantage of Smaller Issuers.** Our "small cap" exposure typically comprises around 15% of our portfolio across the core and out-of-favor segments.

We define small cap companies as those with \$500 million or less in investable debt outstanding. We believe that, over a complete market cycle, investing in small caps can generate an additional 100 basis



points of coupon annually compared to their larger cap counterparts of comparable quality. Small caps present an attractive opportunity because rating agencies tend to penalize them solely based on their size, with the company's quality often overlooked. Furthermore, larger investors often disregard these companies as their positions would not significantly impact their portfolios. To enhance liquidity, we limit our investment in small cap companies to 10% of any given issue. This 10% limit is also applied to issue exposure across the entire portfolio, supporting adequate liquidity for all investments.

Additionally, our strategy is opportunistic and allows for investments in out-of-benchmark asset classes when they offer yields competitive with high yield securities. Examples of such asset classes include "busted" convertibles and preferred stock.

In summary, our investment approach is rooted in a core philosophy that emphasizes better industries and businesses within the high yield market. We complement our core holdings by actively seeking out-of-favor situations in both sectors/industries and non-traditional high yield securities. Moreover, we typically allocate approximately 15% of our portfolio to small cap issuers, aiming to earn an extra 100 basis points of coupon annually without increasing risk.

### **ESG/Principles for Responsible Investment**

SiM is a signatory of the United Nations' Principles for Responsible Investment ("UNPRI"), and as such, where consistent with our fiduciary responsibilities to each of our clients and applicable law, we integrate environmental, social and governance ("ESG") information into our investment analysis and decision-making process. Commitments made as a signatory to the UNPRI are voluntary, aspirational, and not legally binding. ESG considerations are only one factor that informs our research to find attractive investments and manage risks.

SiM believes ESG factors can be material business issues that can affect client performance, so understanding them enables more informed investment decisions. Generally, we evaluate ESG issues in connection with our credit research process; however, ESG information is not solely determinative to our investment decisions, which are affected only to the extent we believe that ESG issues are material to the credit-worthiness of a particular issuer. ESG factors may include, but are not limited to, matters regarding board diversity, climate change policies, and supply chain and human rights policies. Incorporating ESG criteria and making investment decisions based on certain ESG characteristics, as determined by the Adviser, carries the risk that a client account may perform differently, including underperforming, other accounts that do not utilize ESG criteria, or that utilize different ESG criteria. As a result, the holdings and performance of a client account that utilizes ESG criteria may be different or lower than the performance of other client accounts that do not utilize ESG criteria. In addition, the ESG characteristics utilized in SiM's investment process may change over time, and different ESG characteristics may be relevant to different client accounts. The portion of our investments for which we consider these ESG factors may vary, and could increase or decrease over time.

ESG factors are one of many considerations we use as part of our advisory strategy, and we may nonetheless include companies with low ESG characteristics or exclude companies with high ESG characteristics in a client account's investments. We do not intend to invest exclusively in issuers that actively pursue ESG-related goals, unless that is stated as the investment objective of a client

account.

The ESG characteristics utilized in our investment process may change over time, and different ESG characteristics may be relevant to different investments. Although SiM has established its own structure to oversee ESG integration in accordance with the each client account's investment objective and strategies, successful integration of ESG factors will depend on SiM's skill in researching, identifying, and applying these factors, as well as on the availability of relevant data. The method of evaluating ESG factors and subsequent impact on portfolio composition, performance, proxy voting decisions and other factors, is subject to SiM's interpretation in accordance with each client account's investment objective and strategies. ESG factors may be evaluated differently by different managers, and may not carry the same meaning to all investors and managers. The regulatory landscape with respect to ESG investing in the United States is evolving and any future rules or regulations may require us to change our investment process with respect to ESG integration.

**Investment Risks.** Our High Yield investment strategy entails risk of loss that clients should be prepared to bear. Some of these risks are inherent in any investment strategy, while others are more specific to a particular strategy.

Below we have summarized some of the general and specific risks that you should consider when deciding to invest in SiM's high yield strategy. A more detailed description of the risks of our strategy can be found in the prospectus and SAI of the Registered Fund.

### **Principal Risks**

There is no assurance that a client account will achieve its investment objective and such account could lose part or all of its money. Our strategy is designed for institutional investors seeking current income from a strategy that typically invests mainly in a variety of domestic and foreign high yield, high-risk debt securities. Investors should be willing to assume the credit risks of a strategy that typically invests a significant amount of its assets in below investment-grade debt securities and the price changes in those securities that can occur when interest rates change. For example, during periods of heightened market volatility or reduced liquidity, governments, their agencies, or other regulatory bodies, both within the United States and abroad, may take steps to intervene. These actions, which could include legislative, regulatory, or economic initiatives, might have unforeseeable consequences and could adversely affect a client account's performance or otherwise constrain SiM's ability to achieve a client's investment objective.

SiM's strategy is not designed for investors who need an assured level of current income. Investment with SiM is intended to be a long-term prospect. SiM does not provide a complete investment program and may not be appropriate for all investors. Investors should carefully consider their own investment goals and risktolerance before investing with SiM. The principal risks associated with SiM's strategy are:

### **Allocation and Correlation Risk**

Our judgments about, and allocations between, asset classes and market exposures may adversely

affect a client account's performance. This risk may be increased by the use of derivatives to increase allocations to various market exposures.

### **Asset-Backed and Mortgage-Related Securities Risk**

Investments in asset-backed and mortgage related securities are subject to market risks for fixed-income securities which include, but are not limited to, interest rate risk, extension risk and prepayment risk. Factors that impact the value of these securities include interest rate changes, the reliability of available information, credit quality or enhancement, and market perception.

Mortgage-backed securities are issued by lenders, such as mortgage bankers, commercial banks, and savings and loan associations. Such securities differ from conventional debt securities, which provide for the periodic payment of interest in fixed amounts (usually semiannually) with principal payments at maturity or on specified dates. When interest rates fall, homeowners are more likely to prepay their mortgage loans. An increased rate of prepayments on a client account's mortgage-backed securities will result in an unforeseen loss of interest income to the client account as the client account may be required to reinvest assets at a lower interest rate. When interest rates rise, homeowners are less likely to prepay their mortgage loans. A decreased rate of prepayments lengthens the expected maturity of a mortgage-backed security. Therefore, the prices of mortgage-backed securities may decrease more than prices of other fixed-income securities when interest rates rise.

Asset-backed securities include interests in pools of debt securities, commercial or consumer loans, or other receivables. The value of these securities depends on many factors, including changes in interest rates, the availability of information concerning the pool and its structure, the credit quality of the underlying assets, the market's perception of the servicer of the pool, and any credit enhancement provided. In addition, asset-backed securities have prepayment risks similar to mortgage-backed securities.

### **Bank Loans and Senior Loans Risk**

Bank loans and senior loans are subject to credit risk, interest rate risk and liquidity risk. In addition, bank loans and senior loans are subject to the risk that the value of the collateral, if any, securing the loan may decline, be insufficient to meet the obligations of the borrower, or be difficult to liquidate. In the event of a default, a client account may have difficulty collecting on any collateral and would not have the ability to collect on any collateral for an uncollateralized loan.

### **Convertible Securities Risk**

The value of a convertible security ("convertible") is influenced by both the yield of non-convertible securities of comparable issuers and by the value of the underlying common stock. The investment value of a convertible is based on its yield and tends to decline as interest rates increase and to increase as interest rates decline. The conversion value of a convertible is the market value that would be received if the convertible were converted to its underlying common stock. The conversion value will decrease as the price of the underlying common stock decreases. When conversion value is substantially below investment value, the convertible's price tends to be influenced more by its yield, so changes in the price of the underlying common stock may not have as much of an impact.

Conversely, the convertible's price tends to be influenced more by the price of the underlying common stock when conversion value is comparable to or exceeds investment value. Convertible securities may be subject to market risk, credit risk and interest rate risk.

### **Counterparty Risk**

A client account is subject to the risk that a party or participant to a transaction, such as a broker or derivative counterparty, will be unwilling or unable to satisfy its obligation to make timely principal, interest or settlement payments or to otherwise honor its obligations to a client account. If the counterparty defaults, a client account will have contractual remedies, but there is no assurance that the counterparty will be able to meet its contractual obligations or that, in the event of default, a client account will succeed in enforcing them. A client account, therefore, assumes the risk that it may be unable to obtain payments owed to it under derivatives contracts or that those payments may be delayed or made only after a client account has incurred the costs of litigation. While SiM intends to monitor the creditworthiness of contract counterparties, there can be no assurance that the counterparty will be in a position to meet its obligations, especially during unusually adverse market conditions.

### **Credit Risk**

A client account is subject to the risk that the issuer or guarantor of a debt security, or the counterparty to a derivatives contract or a loan will fail to make timely payment of interest or principal or otherwise honor its obligations or default completely. Credit risk is typically greater for securities with ratings that are below investment grade (commonly referred to as "junk bonds"). A client account that invests in fixed-income securities is subject to varying degrees of risk that the issuers of the securities will have their credit ratings downgraded or will default, potentially reducing the client account's share price and income level. Nearly all fixed-income securities are subject to some credit risk, which may vary depending upon whether the issuers of the securities are corporations, domestic or foreign governments, or their subdivisions or instrumentalities. U.S. government securities are subject to varying degrees of credit risk depending upon whether the securities are supported by the full faith and credit of the United States; supported by the ability to borrow from the U.S. Treasury; supported only by the credit of the issuing U.S. government agency, instrumentality, or corporation; or otherwise supported by the United States. For example, issuers of many types of U.S. government securities (e.g., the Federal Home Loan Mortgage Corporation ("Freddie Mac"), Federal National Mortgage Association ("Fannie Mae"), and Federal Home Loan Banks), although chartered or sponsored by Congress, are not funded by congressional appropriations, and their fixed-income securities, including asset-backed and mortgage-backed securities, are neither guaranteed nor insured by the U.S. government. An agency of the U.S. government has placed Fannie Mae and Freddie Mac into conservatorship, a statutory process with the objective of returning the entities to normal business operations. It is unclear what effect this conservatorship will have on the securities issued or guaranteed by Fannie Mae or Freddie Mac. As a result, these securities are subject to more credit risk than U.S. government securities that are supported by the full faith and credit of the United States (e.g., U.S. Treasury bonds). When a fixed-income security is not rated, SiM may have to assess the risk of the security itself.

The sovereign debt of many foreign governments, including their subdivisions and instrumentalities,

falls into this category. Below-investment-grade securities offer the potential for higher investment returns than higher-rated securities, but they carry greater credit risk: their issuers' continuing ability to meet principal and interest payments is considered speculative, they are more susceptible to real or perceived adverse economic and competitive industry conditions, and they may be less liquid than higher-rated securities. Since a client account can invest significantly in lower-quality debt securities considered speculative in nature, this risk will be substantial.

### **Currency Risk**

A client account may have exposure to foreign currencies by purchasing or selling forward currency contracts in non-U.S. currencies, non-U.S. currency futures contracts and in securities denominated in non-U.S. currencies. Currency rates in foreign countries may fluctuate significantly for a number of reasons, including the forces of supply and demand in the foreign exchange markets, actual or perceived changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments or central banks, or currency controls or political developments in the United States or abroad. In addition, foreign currencies may decline in value relative to the U.S. dollar and affect a client account's investments in foreign (non-U.S.) currencies or in securities that trade in, and receive revenues in, or in derivatives that provide exposure to foreign (non-U.S.) currencies.

Certain client accounts may engage in proxy hedging of currencies by entering into derivative transactions with respect to a currency whose value is expected to correlate to the value of a currency a client account owns or wants to own. This presents the risk that the two currencies may not move in relation to one another as expected. In that case, a client account could lose money on its investment and also lose money on the position designed to act as a proxy hedge. Certain client accounts may also take active currency positions and may cross-hedge currency exposure represented by their securities into another foreign currency. This may result in a client account's currency exposure being substantially different than that suggested by its securities investments.

All client accounts with foreign currency holdings and/or that invest or trade in securities denominated in foreign currencies or related derivative instruments may be adversely affected by changes in foreign currency exchange rates. Derivative foreign currency transactions (such as futures, forwards, and swaps) may also involve leveraging risk, in addition to currency risk. Leverage may disproportionately increase a client account's portfolio losses and reduce opportunities for gain when interest rates, stock prices, or currency rates are changing.

### **Deposit Risk**

Separate account clients and certain investment funds generally maintain custody arrangements through independent qualified custodians, including US banking institutions. Generally, cash held in US banking institutions is insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per depositor, per ownership category at each insured depository institution. At times, a separate account client or investment fund's cash balance may be uninsured or in deposit accounts that exceed the FDIC insurance limit. In the event that a US banking institution is placed into FDIC receivership, such clients will have a claim for the uninsured portion of deposits that ranks equally with the claims of other uninsured depositors and senior to claims of general unsecured creditors, subordinated obligations and claims of shareholders of the bank and will receive payments, if any, based upon the amount of assets the bank has available for distribution. Ultimately, a client may not be able to recover the full amount of

uninsured deposits at a US banking institution that is in receivership.

### **Derivatives Risk**

Derivatives may involve significant risk. Derivatives are financial contracts with a value that depends on, or is derived from, the value of underlying assets, reference rates, or indexes. Derivatives may relate to stocks, bonds, interest rates, currencies or currency exchange rates, and related indexes. The use of derivative instruments may expose a client account to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. Some derivatives have the potential for unlimited loss, regardless of the size of a client account's initial investment. Derivatives may be illiquid and may be more volatile than other types of investments. On behalf of a client account, SiM may buy or sell derivatives not traded on an exchange and which may be subject to heightened liquidity and valuation risk. Derivative investments can increase portfolio turnover and transaction costs. Derivatives also are subject to counterparty risk. As a result, a client account may obtain no recovery of its investment or may only obtain a limited recovery, and any recovery may be delayed. Not all derivative transactions require a counterparty to post collateral, which may expose a client account to greater losses in the event of a default by a counterparty. In addition, a client account's investments in derivatives are subject to the following risks:

#### **Futures and Forward Contracts**

Futures and forward contracts are derivative instruments pursuant to a contract where one party pays a fixed price for an agreed amount of securities or other underlying assets at an agreed date or to buy or sell a specific currency at a future date at a price set at the time of the contract. There may be an imperfect correlation between the changes in market value of the securities held by a client account and the prices of futures contracts that are intended to hedge those security positions, which will increase the volatility of a client account. There can be no assurance that any strategy used will succeed. Not all forward contracts require a counterparty to post collateral, which may expose a client account to greater losses in the event of a default by a counterparty. There may not be a liquid secondary market for the futures contracts. Forward currency transactions include the risks associated with fluctuations in currency. Interest rate and treasury futures contracts expose a client account to price fluctuations resulting from changes in interest rates. A client account could suffer a loss if interest rates rise after a client account has purchased an interest rate futures contract or fall after a client account has sold an interest rate futures contract. Similarly, treasury futures contracts expose a client account to potential losses if interest rates do not move as expected.

#### **Options.**

There may be an imperfect correlation between the prices of options and movements in the price of the securities (or indices) hedged which may cause a given hedge not to achieve its objective. If a client account's portfolio managers apply a strategy at an inappropriate time or judge market conditions or trends incorrectly, options may lower a client account's return. Counterparty risk does not apply to exchange-traded options, as those options are usually freely tradeable on the open market.

#### **Structured Notes.**

Structured notes are subject to interest rate risk and credit risk. The price of structured notes may be very volatile and they may have a limited trading market, making it difficult to value them or sell them at an acceptable price.

### **Swap Agreements.**

Swaps are subject to counterparty risk. Credit default swaps, including credit default swaps on baskets of securities (such as the CDX indices), are subject to credit risk on the underlying investment. Interest rate swaps are subject to interest rate and credit risk. Total return swaps may be subject to credit risk and market risk. Regulations enacted by the CFTC under the Dodd-Frank Act require the clearing of certain swap contracts through a clearing house or central counterparty. Central clearing is presently required only for certain interest rate and credit default swaps; the CFTC may impose a mandatory central clearing requirement for additional derivative instruments over time. In addition, many derivative market participants are now regulated as swap dealers and are subject to certain minimum capital and margin requirements and business conduct standards. Similar regulatory requirements have been adopted by the SEC.

Payment obligations arising in connection with derivative contracts are frequently required to be secured with collateral (in the case of over the counter ("OTC") contracts) or margin (in the case of exchange-traded contracts). The CFTC and prudential regulators' variation and initial margin requirements for uncleared swaps increase the amount of margin necessary to conduct uncleared swap transactions and limit the types of assets that can be used as collateral for such transactions. These margin requirements may affect the ability of a client account to use swap agreements to implement its investment strategies and may substantially increase regulatory and compliance costs. These requirements could further adversely affect our ability to enter into swaps in the OTC market or could cause the termination of new or existing swap agreements at an inopportune time.

### **Dividend Risk**

As a result of market, interest rate and other circumstances, an issuer of stock held by a client account may choose not to declare a dividend or the dividend rate might not remain at current levels. Dividend paying stocks might not experience the same level of earnings growth or capital appreciation as non-dividend paying stocks.

### **Emerging Markets Risk**

Investments in the securities of issuers based in countries with emerging-market economies are subject to greater levels of risk and uncertainty than investments in more-developed foreign markets, since emerging-market securities may present market, credit, currency, liquidity, legal, political, and other risks greater than, or in addition to, the risks of investing in developed foreign countries. These risks include high currency exchange-rate fluctuations; increased risk of default (including both government and private issuers); greater social, economic, and political uncertainty and instability (including the risk of war); more substantial governmental involvement in the economy; less governmental supervision and regulation of the securities markets and participants in those markets; controls on foreign investment and limitations on repatriation of invested capital and on a client account's ability to exchange local currencies for U.S. dollars; unavailability of currency hedging techniques in certain emerging-market countries; the fact that companies in emerging-market countries may be newly organized, smaller, and less seasoned; the difference in, or lack of, auditing and financial reporting requirements or standards, which may result in the unavailability of material information about issuers; different clearance and settlement procedures, which may be unable to keep pace with the volume of securities transactions or otherwise make it difficult to engage in such transactions; difficulties in obtaining and/or enforcing legal judgments against non-U.S. companies and non-U.S. persons, including

company directors and officers, in foreign jurisdictions; and significantly smaller market capitalizations of emerging-market issuers. In addition, shareholders of emerging market issuers, such as a client account, often have limited rights and few practical remedies in emerging markets. Finally, the risks associated with investments in emerging markets often are significant, and vary from jurisdiction to jurisdiction and company to company.

### **Equity Investments Risk**

Equity securities are subject to market risk. The price of equity securities will fluctuate, and can decline and reduce the value of a client account investing in equities. The price of equity securities fluctuates based on changes in a company's financial condition and overall market and economic conditions. The value of equity securities purchased by a client account could decline if the financial condition of the companies in which the client account is invested declines, or if overall market and economic conditions deteriorate. An issuer's financial condition could decline as a result of poor management decisions, competitive pressures, technological obsolescence, undue reliance on suppliers, labor issues, shortages, corporate restructurings, fraudulent disclosures, irregular and/or unexpected trading activity among retail investors, or other factors. Changes in the financial condition of a single issuer can impact the market as a whole.

Even a client account that invests in high-quality, or blue chip, equity securities, or securities of established companies with large market capitalizations (which generally have strong financial characteristics), can be negatively impacted by poor overall market and economic conditions. Companies with large market capitalizations may also have less growth potential than smaller companies and may be less able to react quickly to changes in the marketplace.

A client account's investments in equity securities may include common stocks, preferred stocks, securities convertible into or exchangeable for common stocks, depositary receipts, REITs, master limited partnerships ("MLPs"), income trusts and income deposit securities ("IDSs"). Such investments may expose a client account to additional risks. Commonstock generally is subordinate to preferred stock upon the liquidation or bankruptcy of the issuing company. Preferred stocks and convertible securities are sensitive to movements in interest rates. In addition, convertible securities are subject to the risk that the credit standing of the issuer may have an effect on the convertible securities' investment value. Depositary receipts are subject to certain of the risks associated with investing directly in foreign securities. Investments in REITs are subject to the risks associated with investing in the real estate industry such as adverse developments affecting the real estate industry and real property values. Holders of units in MLPs have more limited rights and may be required to sell their common units at an undesirable time or price. A client account's investments in MLPs may also make it more difficult for a client account to meet the requirements necessary to qualify as a regulated investment company under the Internal Revenue Code of 1986, as amended. Income trusts and IDSs are subject to credit risk, interest rate risk and dividend risk.

### **Foreign Investing Risk**

Client accounts that invest in securities traded principally in securities markets outside the United States are subject to additional and more varied risks, as the value of foreign securities may change more rapidly and extremely than the value of U.S. securities. Less information may be publicly



available regarding foreign issuers, including foreign government issuers. Foreign securities may be subject to foreign taxes and may be more volatile than U.S. securities. Currency fluctuations and political and economic developments may adversely impact the value of foreign securities. The securities markets of many foreign countries are relatively small, with a limited number of companies representing a small number of industries. Additionally, issuers of foreign securities may not be subject to the same degree of regulation as U.S. issuers. Reporting, accounting, and auditing standards of foreign countries differ, in some cases significantly, from U.S. standards. There are generally higher commission rates on foreign portfolio transactions, transfer taxes, higher custodial costs, and the possibility that foreign taxes will be charged on dividends and interest payable on foreign securities, some or all of which may not be reclaimable. Also, adverse changes in investment or exchange control regulations (which may include suspension of the ability to transfer currency or assets from a country); political changes; or diplomatic developments could adversely affect a client account's investments. In the event of nationalization, expropriation, confiscatory taxation, or other confiscation, a client account could lose a substantial portion of, or its entire investment in, a foreign security.

### **Hedging Risk**

If a hedging instrument is used at the wrong time, the market conditions are judged incorrectly, or the hedged instrument does not correlate to the risk sought to be hedged, the hedge might be unsuccessful, reduce a client account's return, or create a loss. The skills required to utilize hedging and other strategic transactions are different from those needed to select securities or bonds. Even if SiM only uses hedging and other strategic transactions primarily for hedging purposes or to gain exposure to a particular securities market, if the transaction does not have the desired outcome, it could result in a significant loss to a client account. The amount of loss could be more than the principal amount invested. These transactions may also increase the volatility of a client account and may involve a small investment of cash relative to the magnitude of the risks assumed, thereby magnifying the impact of any resulting gain or loss.

### **High Yield Securities Risk**

Investing in high yield, below investment-grade securities (commonly referred to as "junk bonds") generally involves significantly greater risks of loss of your money than an investment in investment grade securities. Investing in lower-rated fixed-income securities is considered speculative. While these securities generally provide greater income potential than investments in higher-rated securities, there is a greater risk that principal and interest payments will not be made. Rising interest rates may compound these difficulties and reduce an issuer's ability to repay principal and interest obligations. Issuers of lower-rated securities also have a greater risk of default or bankruptcy. Below investment grade securities may experience greater price volatility and less liquidity than investment grade securities. Furthermore, the ability and willingness of a foreign government to make payments on debt when due may be affected by the prevailing economic and political conditions within the country. Emerging-market countries may experience high inflation, interest rates, and unemployment, as well as exchange-rate fluctuations which adversely affect trade and political uncertainty or instability. In addition, while SiM may rely on ratings by established credit rating agencies, it will also supplement such ratings with its own independent review of the credit quality of the issuer. Therefore, the assessment of the credit risk of lower-rated fixed-income securities is more dependent on SiM's

evaluation than the assessment of the credit risk of higher-rated securities.

### **Illiquid and Restricted Securities Risk**

Certain securities are considered illiquid or restricted due to a limited trading market, legal or contractual restrictions on resale or transfer, or are otherwise illiquid because they cannot be sold or disposed of in seven calendar days or less without the sale or disposition significantly changing the market value of the investment. A client account may not be able to sell a restricted security when the adviser considers it desirable to do so and/or may have to sell the security at a lower price. In addition, transaction costs may be higher for restricted securities than for more liquid securities. A client account may have to bear the expense of registering restricted securities for resale and the risk of substantial delays in effecting the registration.

### **Interest Rate Risk**

Fixed-income securities are affected by changes in interest rates. When interest rates decline, the market value of fixed-income securities generally can be expected to rise. Conversely, when interest rates rise, the market value of fixed-income securities generally can be expected to decline. The longer the duration or maturity of a fixed-income security, the more susceptible it is to interest-rate risk. Duration is a measure of the price sensitivity of a debt security, or a client account that invests in a portfolio of debt securities, to changes in interest rates, whereas the maturity of a security measures the time until final payment is due. Duration measures sensitivity more accurately than maturity because it takes into account the time value of cash flows generated over the life of a debt security. Recent and potential future changes in government monetary policy may affect interest rates.

In response to certain economic disruptions, governmental authorities and regulators typically respond with significant fiscal and monetary policy changes, including considerably lowering interest rates, which, in some cases could result in negative interest rates. These actions, including their reversal or potential ineffectiveness, could further increase volatility in securities and other financial markets and reduce market liquidity. To the extent a client account has a bank deposit or holds a debt instrument with a negative interest rate to maturity, the client account would generate a negative return on that investment. Similarly, negative rates on investments by money market funds and similar cash management products could lead to losses on investments, including on investments of a client account's uninvested cash.

### **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, competitive pressures, technological obsolescence, undue reliance on suppliers, labor issues, shortages, corporate restructurings, fraudulent disclosures, 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.

### **Leveraging Risk**

A client account's use of futures, forward contracts, swaps, structured notes, other derivative instruments and selling securities short will have the economic effect of financial leverage. Financial leverage magnifies the exposure to the swings in prices of an asset or class of assets underlying a derivative instrument and results in increased volatility, which means that a client account will have the potential for greater losses than if a client account does not use the derivative instruments that

have a leveraging effect. Leveraging tends to magnify, sometimes significantly, the effect of any increase or decrease in a client account's exposure to an asset or class of assets and may cause a client account's net asset value to be volatile.

### **LIBOR Risk**

Certain debt securities, derivatives and other financial instruments have traditionally utilized LIBOR as the reference or benchmark rate for interest rate calculations. However, following allegations of manipulation and concerns regarding liquidity, the U.K. Financial Conduct Authority ("UK FCA") announced that LIBOR would be discontinued on June 30, 2023. The UK FCA elected to require the ICE Benchmark Administration Limited, the administrator of LIBOR, to continue publishing a subset of British pound sterling and U.S. dollar LIBOR settings on a "synthetic" basis. The synthetic publication of the three-month sterling LIBOR will continue until March 31, 2024, and the publication of the one-, three- and six-month U.S. dollar LIBOR will continue until September 30, 2024.

Although the transition process away from LIBOR has become increasingly well-defined in advance of the discontinuation dates, the impact on certain debt securities, derivatives and other financial instruments remains uncertain. Market participants have adopted alternative rates such as Secured Overnight Financing Rate ("SOFR") or otherwise amended financial instruments referencing LIBOR to include fallback provisions and other measures that contemplated the discontinuation of LIBOR or other similar market disruption events, but neither the effect of the transition process nor the viability of such measures is known. To facilitate the transition of legacy derivatives contracts referencing LIBOR, the International Swaps and Derivatives Association, Inc. launched a protocol to incorporate fallback provisions. However, there are obstacles to converting certain longer term securities and transactions to a new benchmark or benchmarks and the effectiveness of one alternative reference rate versus multiple alternative reference rates in new or existing financial instruments and products has not been determined. Certain proposed replacement rates to LIBOR, such as SOFR, which is a broad measure of secured overnight U.S. Treasury repo rates, are materially different from LIBOR, and changes in the applicable spread for financial instruments transitioning away from LIBOR will need to be made to accommodate the differences.

The utilization of an alternative reference rate, or the transition process to an alternative reference rate, may adversely affect a client account's performance.

Alteration of the terms of a debt instrument or a modification of the terms of other types of contracts to replace LIBOR or another interbank offered rate ("IBOR") with a new reference rate could result in a taxable exchange and the realization of income and gain/loss for U.S. federal income tax purposes. The IRS has issued final regulations regarding the tax consequences of the transition from IBOR to a new reference rate in debt instruments and non-debt contracts. Under the final regulations, alteration or modification of the terms of a debt instrument to replace an operative rate that uses a discontinued IBOR with a qualified rate (as defined in the final regulations) including true up payments equalizing the fair market value of contracts before and after such IBOR transition, to add a qualified rate as a fallback rate to a contract whose operative rate uses a discontinued IBOR or to replace a fallback rate that uses a discontinued IBOR with a qualified rate would not be taxable. The IRS may provide additional guidance, with potential retroactive effect.

### **Liquidity Risk**

Client accounts are susceptible to the risk that certain investments held by a client account may have limited marketability or have restrictions on sale, and may be difficult to sell at favorable times or prices. The extent (if at all) to which a security may be sold or a derivative position closed without

negatively impacting its market value may be impaired by reduced market activity or participation, legal restrictions, or other economic and market impediments. Client accounts with investment strategies that involve investments in securities of companies with smaller market capitalizations, foreign securities, derivatives, or securities with substantial market and/or credit risk tend to have the greatest exposure to liquidity risk. Exposure to liquidity risk may be heightened for client accounts that invest in securities of emerging markets and related derivatives that are not widely traded, and that may be subject to purchase and sale restrictions.

The capacity of traditional dealers to engage in fixed-income trading has not kept pace with the bond market's growth. As a result, dealer inventories of corporate bonds, which indicate the ability to "make markets," i.e., buy or sell a security at the quoted bid and ask price, respectively, are at or near historic lows relative to market size. Because market makers provide stability to fixed-income markets, the significant reduction in dealer inventories could lead to decreased liquidity and increased volatility, which may become exacerbated during periods of economic or political stress.

### **Loan Participation Interests Risk**

Loan participation interests may be collateralized, uncollateralized, or undercollateralized and are subject to the credit risk of the servicing agent as well as the credit risk of the borrower. Even with secured loans, there is no assurance that the collateral securing the loan will be sufficient to protect a client account against losses in value or a decline in income in the event of a borrower's nonpayment of principal or interest. In addition, the value of any such collateral may decline and may be difficult to liquidate. The amount of public information available with respect to loans may be less extensive than that available for registered or exchange-listed securities. As a result, the decision to invest in a particular loan or loan participation could depend exclusively on SiM's credit analysis of the borrower. Furthermore, if a client account purchases a participation interest, it may be only able to enforce its rights through the lender.

### **Market Events and Economic Risk**

Events in certain sectors historically have resulted, and may in the future result, in an unusually high degree of volatility in the financial markets, both domestic and foreign. These events have included, but are not limited to: bankruptcies, corporate restructurings, and other similar events; governmental efforts to limit short selling and high frequency trading; measures to address U.S. federal and state budget deficits; social, political, and economic instability in Europe; economic stimulus by the Japanese central bank; dramatic changes in energy prices and currency exchange rates; and China's economic slowdown. Interconnected global economies and financial markets increase the possibility that conditions in one country or region might adversely impact issuers in a different country or region. Both domestic and foreign equity markets have experienced increased volatility and turmoil, with issuers that have exposure to the real estate, mortgage, and credit markets particularly affected. Financial institutions could suffer losses as interest rates rise or economic conditions deteriorate.

In addition, relatively high market volatility and reduced liquidity in credit and fixed-income markets may adversely affect many issuers worldwide. Actions taken by the Fed or foreign central banks to stimulate or stabilize economic growth, such as interventions in currency markets, could cause high volatility in the equity and fixed-income markets. Reduced liquidity may result in less money being available to purchase raw materials, goods, and services from emerging markets, which may, in turn, bring down the prices of these economic staples. It may also result in emerging-market issuers having

more difficulty obtaining financing, which may, in turn, cause a decline in their securities prices.

Beginning in March 2022, the Fed began increasing interest rates and has signaled the potential for further increases. As a result, risks associated with rising interest rates are currently heightened. It is difficult to accurately predict the pace at which the Fed will increase interest rates any further, or the timing, frequency or magnitude of any such increases, and the evaluation of macro-economic and other conditions could cause a change in approach in the future. Any such increases generally will cause market interest rates to rise and could cause the value of a client accounts' investments, and its NAV, to decline, potentially suddenly and significantly. As a result, a client account may experience high redemptions and, as a result, increased portfolio turnover, which could increase the costs that a client account incurs and may negatively impact a client account's performance.

In addition, as the Fed increases the target Fed funds rate, any such rate increases, among other factors, could cause markets to experience continuing high volatility. A significant increase in interest rates may cause a decline in the market for equity securities. These events and the possible resulting market volatility may have an adverse effect on a client account. Political and military events, including in Ukraine, North Korea, Russia, Venezuela, Israel, Iran, Syria, and other areas of the Middle East, and nationalist unrest in Europe and South America, also may cause market disruptions.

### **Municipal Securities Risk**

Municipal securities are subject to credit risk where a municipal issuer of a security might not make interest and principal payments on a security as they become due. The yields or returns of municipal bonds depend on a variety of factors, including general market conditions, effective marginal tax rates, the financial condition of the issuer, general conditions of the municipal bond market, the size of a particular offering, the maturity of the obligation, and the rating (if any) of the issue. A downgrade in the issuer's or security's credit rating can reduce the market value of the security.

### **Prepayment and Extension Risk**

Prepayments tend to increase during periods of falling interest rates, while during periods of rising interest rates, prepayments are likely to decline. A client account's investments in asset-backed and mortgage-backed securities are subject to the risk that the principal amount of the underlying collateral may be repaid prior to the bond's maturity date. If this occurs, no additional interest will be paid on the investment and a client account may have to invest at a lower rate. Conversely, a decrease in expected prepayments may result in the extension of a security's effective maturity and a decline in its price.

### **Sector Risk**

Sector risk is the risk associated with a client account holding a significant amount of investments in similar businesses, which could be affected by the same economic or market conditions. When a client account's investments are focused in one or more sectors of the economy, they are less broadly invested across industries or sectors than other client accounts. This means that client accounts whose holdings are focused tend to be more volatile than other accounts, and the values of their investments tend to go up and down more rapidly. In addition, a client account that invests in particular sectors is particularly susceptible to the impact of market, economic, political, regulatory, and other conditions and risks affecting those sectors. From time to time, a small number of companies may represent a large portion of a single sector or a group of related sectors as a whole.

**Segregated Assets Risk**

In connection with certain transactions that may give rise to future payment obligations, including many types of derivatives, a client account may be required to maintain a segregated amount of, or otherwise earmark, cash or liquid securities to cover the position, which cannot be sold while the position they are covering is outstanding, unless they are replaced with other securities of equal value.

**Unrated Securities Risk**

Investing in unrated securities involves the risk that the sub-advisor may not accurately evaluate the security's comparative credit rating. To the extent that the a client account invests in unrated securities, a client account's success in achieving its investment objective may depend more heavily on our credit analysis than if the account invested exclusively in rated securities.

**U.S. Government Securities and Government Sponsored Enterprises Risk**

U.S. government securities include securities issued or guaranteed by the U.S. government or by an agency or instrumentality of the U.S. government. Not all U.S. government securities are backed by the full faith and credit of the United States. Some are supported only by the credit of the issuing agency or instrumentality, which depends entirely on its own resources to repay the debt. These include securities held by a clientaccount that are issued by government-sponsored enterprises, such as the Fannie Mae, Freddie Mac, Federal Home Loan Banks, Federal Farm Credit Banks, and the Tennessee Valley Authority, among others. U.S. Government securities are also subject to credit risk and interest rate risk.

**Valuation Risk**

A client account may value certain assets at a price different from the price at which they can be sold. This risk may be especially pronounced for investments, such as certain derivatives, which may be illiquid or which may become illiquid.

**Risk of Investments at Different Levels of an Issuer's Capital Structure**

We may invest client assets in the same issuer, but at different levels in the issuer's capital structure. For instance, we may invest client assets in loans of an issuer and invest the assets of other clients in publicly traded securities of the same issuer. These different securities may have different voting rights, dividend or repayment priorities, rights in bankruptcy or other features that conflict with one another. For some of these securities, we may have input regarding the characteristics and the relative rights and priorities of the various classes or tranches.

When we invest client assets in different levels of an issuer's capital structure, we may take actions with respect to the assets held by one client (including affiliated clients) that are potentially adverse to other clients, for example, by foreclosing on loans or by putting an issuer into default. In negotiating the terms and conditions of any such investments, or any subsequent amendments or waivers, we may find that the interests of a client and the interests of one or more other clients (including affiliated clients) could conflict.

In these situations, decisions over proxy voting, corporate reorganizations, how to exit an investment,

bankruptcy matters (including, for example, whether to trigger an event of default or the terms of any workout) or other actions or inactions may result in conflicts of interest. Similarly, if an issuer in which a client and one or more other clients directly or indirectly hold different classes of securities encounters financial problems, decisions over the terms of any workout will raise conflicts of interests (including potential conflicts over proposed waivers and amendments to debt covenants). This could potentially disadvantage the clients on whose behalf the actions are not taken, investments are not made, or investments are sold. Conversely, in other cases, we will not refrain from taking actions or making investments on behalf of some clients (including affiliated clients), which could potentially disadvantage other clients. Any of the foregoing conflicts of interest will be resolved on a case-by-case basis. Any such resolution will take into consideration the interests of the relevant clients, the circumstances giving rise to the conflict and applicable laws.

### **Operational and Cybersecurity Risk**

With the increased use of technologies, such as mobile devices and “cloud”-based service offerings and the dependence on the internet and computer systems to perform necessary business functions, a client account’s service providers are susceptible to operational and information or cybersecurity risks that could result in losses to a client account. Intentional cybersecurity breaches include unauthorized access to systems, networks, or devices (such as through “hacking” activity or “phishing”); infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cyber-attacks can also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on the service providers’ systems or websites rendering them unavailable to intended users or via “ransomware” that renders the systems inoperable until appropriate actions are taken. In addition, unintentional incidents can occur, such as the inadvertent release of confidential information (possibly resulting in the violation of applicable privacy laws).

A cybersecurity breach could result in the loss or theft of customer data or funds, 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 account, the advisor, a manager, or other service providers to incur regulatory penalties, reputational damage, additional compliance costs, litigation costs or financial loss. In addition, such incidents could affect issuers in which a client account invests, and thereby cause a client account’s investments to lose value.

Cyber-events have the potential to materially affect a client account and the SiM’s relationships with accounts, shareholders, clients, customers, employees, products, and service providers. We have established risk management systems reasonably designed to seek to reduce the risks associated with cyber-events. There is no guarantee that a client account will be able to prevent or mitigate the impact of any or all cyber-events.

Each client account is exposed to operational risk arising from a number of factors, including, but not limited to, human error, processing and communication errors, errors of the client account’s service providers, counterparties, or other third parties, failed or inadequate processes and technology or system failures.

In addition, other disruptive events, including (but not limited to) natural disasters and public health crises may adversely affect SiM's ability to conduct business, in particular if SiM's employees or the employees of its service providers are unable or unwilling to perform their responsibilities as a result of any such event. Even if SiM's employees and the employees of its service providers are able to work remotely, those remote work arrangements could result in the client account's business operations being less efficient than under normal circumstances, could lead to delays in its processing of transactions, and could increase the risk of cyber-events.



## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SiM or the integrity of SiM's management. Neither SiM nor any of its employees has been the subject of any legal or disciplinary events that require disclosure under this Item.

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

SiM has registered as an exempt foreign investment adviser with the Netherlands Authority for the Financial Markets (“AFM”), in order to market SiM’s high yield investment management services to institutional clients in Europe.

SiM has engaged a Netherlands-based third party marketing firm, Candoris BV, to market SiM’s high yield investment management services to institutional clients in Europe. Candoris is compensated by receiving a portion of SiM’s management fee.

SiM has engaged American Beacon Advisors, Inc. as a third party marketing agent in connection with certain potential institutional clients.

SiM has no other activities or arrangements that are material to its advisory business or its clients with a related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, accounting firm, law firm, and or insurance company or agency, or any other type of financial entity.

## **Item 11 – Code of Ethics**

SiM has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at SiM must acknowledge the terms of the Code of Ethics annually, or whenever it is amended.

SiM's employees and persons associated with SiM are required to follow SiM's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of SiM and its affiliates may trade for their own accounts in securities which are purchased for SiM's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of SiM will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of SiM's clients. In addition, the Code of Ethics requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities that SiM invests in on behalf of its Clients, there is a possibility that employees might benefit from market activity by a Client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between SiM and its clients.

SiM's employees are also permitted, subject to pre-clearance approval, to invest in the Registered Fund. This could create a conflict of interest whereby SiM's employees endeavor to allocate those securities and trades that appear to be most beneficial to the Registered Fund in which SiM employees have invested. SiM does not believe that permitting employees to invest in the Registered Fund presents an actual material conflict of interest. All of SiM's accounts are managed to similar target percentages for all holdings, subject to specific client restrictions. Purchases and sales of the same securities for all accounts may be aggregated and allocated among multiple accounts in accordance with SiM's aggregation and allocation policies which are designed to provide consistent and fair treatment for all of SiM's clients. SiM retains records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Absent unusual unforeseen circumstances, completed orders are allocated as specified in the initial trade order. Subject to exceptions noted in SiM's aggregation and allocation policies, partially filled orders are allocated using SiM's Standard Allocation Methods (see Item 12 – Trade Allocation). Any exceptions are noted in SiM's Order Management System.

Please refer to Items 11 and 12 for a more detailed discussion of SiM's allocation and aggregation policies and procedures.

SiM's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Tim

Black at tblack@sim-llc.com or (206) 529-3247.

## **Item 12 – Brokerage Practices**

SiM endeavors to seek best execution for client transactions. SiM will execute securities transactions for clients in such a manner that is consistent with the best interests of its clients and to employ a trading process that attempts to maximize the value of a client's portfolio within the client's stated directives and constraints. In carrying out this duty, SiM will consider the full range and quality of a broker's services in placing brokerage including, among other things, execution capability, price, financial responsibility, and responsiveness. SiM will periodically and systematically evaluate the execution performance of broker-dealers executing transactions for client accounts.

In choosing broker-dealers, SiM is not required to consider any particular criteria. SiM seeks “best execution” of securities transactions for all client accounts. In evaluating whether a broker-dealer will provide best execution, SiM may consider such relevant factors as (1) trading expertise of the broker, (2) the broker's infrastructure, (3) the broker's ability to minimize trading costs, (4) the broker's ability to provide research, and (5) the broker's ability to accommodate special transaction needs. The staff of the SEC has expressed the view that the best price and execution of over-the-counter transactions in portfolio securities may be secured by dealing directly with principal market makers, thereby avoiding the payment of compensation to another broker-dealer. In certain situations, SiM believes that the facilities, expert personnel, and technological systems of a broker-dealer often enable its clients to secure a net price by dealing with a broker-dealer that is as good as or better than the price they could have received from a principal market maker, even after payment of the compensation to the broker-dealer. SiM may place its over-the-counter transactions with principal market makers, but may also deal on a brokerage basis when utilizing electronic trading networks or as circumstances warrant.

SiM does not currently intend to use soft dollar arrangements with brokers. In selecting brokers, SiM does not consider client referrals from a broker or related party.

### **Trade Execution Evaluation**

SiM conducts periodic reviews of its brokerage and best execution practices, evaluates services, and documents these reviews. On a quarterly basis, SiM reviews the quality of executions and the value of other services received from brokers. The Chief Compliance Officer has the responsibility for the implementation and monitoring of SiM's best execution policy, practices, disclosures and recordkeeping. The Portfolio Manager is responsible for conveying information to SiM's traders if there is any change to SiM's policies for directing brokerage orders.

### **Directed Brokerage**

A client may not direct SiM to execute some or all of the transactions on behalf of the client's account through a specific broker unless the client gives such direction in writing. The client's written direction must identify the directed brokers, the target percentage of brokerage that should be directed to the brokers, and contain a statement that the direction will only benefit the client's account. Before

accepting a client directed brokerage arrangement, unless such acknowledgements are contained in the client's investment management agreement or investment guidelines, SiM shall inform the client that:

- although the client has selected a directed broker, SiM will not be required to effect any transaction through the directed broker if SiM reasonably believes that to do so may result in a breach of its duties to the client;
- by instructing SiM to execute all transactions through the directed broker, the client may not obtain execution as favorable as would be the case if SiM was able to place transactions with other broker-dealers; and
- the client may forego benefits that SiM may be able to obtain for its other clients through, for example, negotiating volume discounts or aggregating or bunching trades.

### **Principal and Agency Cross Transactions**

It is SiM's policy not to affect any principal or agency cross securities transactions for client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. SiM is not affiliated with a broker-dealer.

### **Trade Allocation**

SiM has adopted trade allocation procedures that treat all clients in a fair and equitable manner over time. Client orders are generally processed on a first-in, first-executed basis. When there are multiple orders for the same security, SiM may aggregate the orders in a block execution to achieve optimal execution and lower transaction costs. SiM will typically allocate transactions before execution of a block order based on SiM's "Standard Allocation Methods," which are generally based either on percentage allocations or pro rata allocations based on the net asset value of each client account participating. Sometimes certain client accounts in an investment strategy will not be allocated a security or will be allocated a lower or higher amount of a security than the Standard Allocation Method dictates because of:

- (i) such client's particular investment restrictions, leverage limits, account objectives, risk tolerance, time horizon, tax sensitivity, transactions costs, nature and size, suitability, tolerance for portfolio turnover, liquidity and size limitations, availability of cash or buying power, eligibility to participate in a trade pursuant to compliance regulations, asset compositions, industry concentrations or specific overriding instructions;

- (ii) the need to restore appropriate weightings of the portfolio held by certain client accounts;
- (iii) a partial fill of trade order;
- (iv) common sense adjustments or equitable adjustments that lead to cost savings or other transactional efficiencies;
- (v) avoidance of de minimis allocations;
- (vi) directed brokerage requirements for all or a portion of a given client account's trades;
- (vii) Client accounts holding different securities. It is not always possible to buy a security held in existing accounts for a new account because, for example, it is no longer available;
- (viii) Client accounts holding different position sizes. This occurs because accounts have cash flows. Withdrawals may require a partial sale of a bond, reducing the position percentage relative to other accounts. Withdrawals that are satisfied without partially selling a bond result in increased position size relative to other accounts. Deposits reduce the position percentage of current holdings relative to other holders;
- (ix) Cash flows resulting in a Client account's sector weights and/or duration varying versus the composite. A Client account may be excluded from a trade if the trade would increase that variance; or
- (x) Trades executed to bring accounts that show a variance from the desired composite duration and/or sector weight, or other criteria back in-line. Only those Client accounts affected will be included.

If an aggregated order is not completely filled during the day on which the order is entered, then the aggregated order shall be allocated among participating clients based on the relative allocations that would have resulted from application of the Standard Allocation Method had the order been completely filled. Exceptions to this policy may occur as detailed in (i)-(x), above. For example, SiM may deviate from the partial fill allocation formula set forth above in order to avoid a de minimis allocation or to maintain round lots.

Instances in which client orders will not be aggregated include, but are not limited to, the following: (1) clients directing SiM to use certain broker-dealers, in which case orders shall be separately effected; (2) the use of limit orders; (3) traders and/or the portfolio managers determine that the aggregation is not an efficient method of executing the trade.

Certain investments may be appropriate for more than one client advised by SiM. Investment decisions for a client and for such other clients are made with a view to achieving their respective investment objectives and after consideration of such factors as their current holdings, availability of cash for investment and the size of their investments generally. A particular security may be bought or sold by SiM for only one client or in different amounts and at different times for more than one but less than all clients. Likewise, a particular investment may be bought by SiM for one or more clients while at the same time SiM is selling the investment for one or more other clients. Sometimes

it is not possible or advisable to aggregate trades of the same securities for unaffiliated clients. For these situations, SiM has adopted a policy to rotate which client account trades first among unaffiliated client accounts.

Investments will be allocated among Clients in a manner believed by SiM to be fair and equitable to each Client over time. In effecting transactions, it may not always be possible, or consistent with the investment objectives of the various Clients described above, to take or liquidate the same investment positions at the same time or at the same prices.

### **Item 13 – Review of Accounts**

Accounts are monitored on a regular basis, at least monthly but usually more frequently, by the portfolio manager for the account and/or his or her staff. All accounts are subjected to a detailed formal review every quarter at SiM's firm-wide quarterly meeting, which includes all of SiM's employees, including portfolio managers as well as SiM's Compliance Officer. More frequent reviews may also be triggered by: a change in a client's investment objectives; tax considerations; large deposits or withdrawals; large sales or purchases; loss of confidence in corporate management; or changes in macro-economic climate.

SiM provides monthly and/or quarterly reports to clients that summarize current portfolio holdings and performance over the prior month/quarter. SiM urges you to carefully review these reports and compare them to statements and other information you may have received from your account custodian. Information provided by SiM may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.



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

SiM has engaged a Netherlands based third party marketing firm, Candoris BV, to market SiM's high yield investment management services to institutional clients in the Nordics and other EU countries. Candoris is compensated by receiving a portion of SiM's management fee.

The Registered Fund is marketed and distributed by American Beacon Funds, Inc. and its affiliates. The fees payable to American Beacon, and all other fees associated with this fund are described in the prospectus for the fund. In addition, SiM has engaged American Beacon Advisors, Inc. as a third-party marketing agent in connection with certain potential institutional clients.

In the future, SiM may engage other marketing and distribution firms to market and distribute SiM's investment management services. We expect that these firms will be compensated by receiving a portion of SiM's management fee, or in the case of a mutual fund, other fees associated with the particular mutual fund, all of which will be described in the prospectus for the respective fund(s).

## **Item 15 – Custody**

While SiM does not take direct custody of Clients' funds or securities, SiM may be deemed to have custody where SiM deducts its investment management fees directly from a Client account. SiM does not currently deduct its investment management fees directly from any of SiM's Client accounts.

Clients should receive at least quarterly statements from their broker-dealer, bank or qualified custodian that holds and maintains Client's investment assets. SiM urges each Client to carefully review such statements and compare such official custodial records to information that we may provide to you. Information provided by us may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

SiM usually receives discretionary authority from the 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. Discretionary authority is granted through the Client Investment Management Agreement.

When selecting securities and determining amounts, SiM observes the investment policies, limitations and restrictions of its clients. For registered investment companies, SiM's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

If a client desires to provide specific investment guidelines and restrictions these must be provided to, and approved by, SiM in writing.

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

In accordance with Rule 206(4)-6 of the Investment Advisers Act of 1940, SiM has adopted proxy voting policies and procedures to fulfill its fiduciary obligation of voting in the best interest of the clients. In its capacity as an investment adviser for each of its clients, SiM generally does not vote client proxies except where SiM and the client have otherwise agreed.

In such circumstances, SiM will vote (by proxy or otherwise) on all matters for which a shareholder vote is solicited by, or with respect to, issuers of securities beneficially held in client accounts in a manner consistent with its fiduciary duties and in accordance with its written policies and procedures. These policies and procedures set forth guidelines for voting many typical proxy proposals. In certain instances, SiM may determine that it is in its clients' best interests to deviate from the guidelines or the proxy issue may require individual case-by-case consideration under the guidelines. The Chief Compliance Officer or designee is ultimately responsible for monitoring corporate developments and voting proxies in the best interests of clients.

Where a proxy proposal raises a material conflict of interest between the interests of SiM and its clients, or between SiM's clients, SiM will obtain voting direction from an independent third party or disclose the conflict of interest to the clients and abstain from voting or obtain client consent prior to voting the securities. There may also be a variety of corporate actions or other matters for which shareholder action is required or solicited and with respect to which SiM may take action that it deems appropriate in its best judgment, except to the extent otherwise required by agreement with the client. These actions may include, for example and without limitation, tender offers or exchanges, bankruptcy proceedings and class actions.

A Client may obtain a copy of SiM's proxy voting policies and procedures and/or information on how SiM voted proxies related to securities held in the Client's account by written request to SiM's Chief Compliance Officer at [tblack@sim-llc.com](mailto:tblack@sim-llc.com).

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about SiM’s financial condition. SiM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding.



## **Brochure Supplement - Supervised Persons**

**Gary J. Pokrzywinski**

**Strategic Income Management, LLC**

**1200 Westlake Ave N, Suite 713**

**Seattle, WA 98109**

**(206) 971-3773**

**Dated: March 1, 2024**

**This Brochure Supplement provides information about Gary Pokrzywinski that supplements the Strategic Income Management, LLC (“SiM”) Brochure. You should have received a copy of that Brochure. Please contact Tim Black at (206) 529-3247 or [tblack@sim-llc.com](mailto:tblack@sim-llc.com) if you did not receive SiM’s Brochure or if you have any questions about the contents of this supplement.**

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

## **Item 2- Educational Background and Business Experience**

Mr. Pokrzywinski is the Lead Portfolio Manager and President of SiM. Prior, he has served as Portfolio Manager, Chief Investment Officer and as a Member of the Management Committee of SiM since co-founding SiM in September 2010. Before starting SiM, from 1998 until May of 2009, Mr. Pokrzywinski was employed at Edge Asset Management, LLC ("Edge") and its predecessor WM Advisors, an affiliate of Principal Financial Group, and from January of 2008 until May of 2009, was the Managing Director – Head of Fixed Income for Edge. At Edge Mr. Pokrzywinski managed the Principal High Yield Mutual Fund from its inception in April 1998 to May 2009. Mr. Pokrzywinski received a bachelor's degree in Finance and Management Information Systems from the University of Wisconsin - Milwaukee. Mr. Pokrzywinski has earned the right to use the Chartered Financial Analyst\* designation in 1989 and is a member of the CFA Society of Seattle. Mr. Pokrzywinski was born in 1961.

\*The Chartered Financial Analyst ("CFA") charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals. There are currently more than 90,000 CFA charter holders working in 134 countries. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct. To learn more about the CFA charter, visit [www.cfainstitute.org](http://www.cfainstitute.org).

## **Item 3- Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. Mr. Pokrzywinski has not been the subject of any legal or disciplinary events that require disclosure under this Item.

## **Item 4- Other Business Activities**

None

## **Item 5- Additional Compensation**

None

## **Item 6 - Supervision**

SiM has comprehensive compliance policies and procedures in place to govern and monitor the activities of all of its supervised persons, including Mr. Pokrzywinski. SiM has a three person Management Committee that reviews periodically SiM's operational and compliance activities. Mr. Pokrzywinski is a member of this committee. In addition, all of SiM's employees, including Mr. Pokrzywinski, meet on a quarterly basis to review all investment decisions, trading, and compliance matters of the preceding quarter. SiM employs a Chief Compliance Officer who monitors adherence to the firm's compliance policies and procedures. SiM's Chief Compliance Officer is Tim Black, (206) 529-

3247; [tblack@sim-llc.com](mailto:tblack@sim-llc.com). Mr. Black is a member of the Management Committee.





Ryan C. Larson

Strategic Income Management, LLC

1200 Westlake Ave N, Suite 713

Seattle, WA 98109

(206) 971-3773

Dated: March 1, 2024

**This Brochure Supplement provides information about Ryan L. Larson that supplements the Strategic Income Management, LLC (“SiM”) Brochure. You should have received a copy of that Brochure. Please contact Tim Black at (206) 529-3247 or [tblack@sim-llc.com](mailto:tblack@sim-llc.com) if you did not receive SiM’s Brochure or if you have any questions about the contents of this supplement.**

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

## **Item 2- Educational Background and Business Experience**

Mr. Larson is a Portfolio Manager for SiM. Prior, he has served as SiM's Junior Portfolio Manager, Senior Analyst, high yield trader and investment analyst. Prior to joining SiM in 2010, from 2009 to 2010 Mr. Larson was a research analyst at Caelum Capital, a Los Angeles based equity long-short hedge fund. Prior to Caelum Capital, from 2008 to 2009 Mr. Larson trained as a research analyst at Wells Fargo Advisors in Seattle, Washington. Mr. Larson graduated with honors from Brown University in May 2008 and has a B.A. in Commerce, Organizations and Entrepreneurship(business track). Mr. Larson holds the Chartered Financial Analyst\* designation, and is a member of the Chartered Alternative Investment Analyst Association (CAIA).

\*The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals. There are currently more than 90,000 CFA charter holders working in 134 countries. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

To learn more about the CFA charter, visit [www.cfainstitute.org](http://www.cfainstitute.org).

## **Item 3- Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. Mr. Larson has not been the subject of any legal or disciplinary events that require disclosure under this Item.

## **Item 4- Other Business Activities**

None

## **Item 5- Additional Compensation**

None

## **Item 6 - Supervision**

SiM has comprehensive compliance policies and procedures in place to govern and monitor the activities of all of its supervised persons, including Mr. Larson. SiM has a three person Management Committee that reviews periodically SiM's operational and compliance activities. In addition, all of SiM's employees, including Mr. Larson, meet on a quarterly basis to review all investment decisions, trading, and compliance matters of the preceding quarter. SiM employs a Chief Compliance Officer who monitors adherence to the firm's compliance policies and procedures. SiM's Chief Compliance Officer is Tim Black, (206) 529-3247; [tblack@sim-llc.com](mailto:tblack@sim-llc.com). Mr. Black is a member of the Management Committee.