

## **PARK AVENUE INSTITUTIONAL ADVISERS LLC**

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### *Firm Brochure*

March 27, 2024

**This brochure provides information about the qualifications and business practices of Park Avenue Institutional Advisers LLC (“PAIA”). If you have any questions about the contents of this brochure, please contact Michael Bessel, Chief Compliance Officer, at (212) 919-2517. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

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

**PAIA is a registered investment adviser. Registration as an investment adviser does not imply a certain level of skill or training.**

## **2. Material Changes**

The following is a discussion of material changes since the last annual updating amendment dated February 22, 2023:

**Assets under management.** Our total assets under management is \$75,814,977,831 as of December 29, 2023 of which \$66,558,280,815 represent the assets of Guardian and subsidiary insurance company general accounts. Further information is available under the heading “Advisory Business” herein.

## **Important Note about this Brochure**

*This Brochure is not:*

- *An offer or agreement to provide advisory services to any person;*
- *An offer to sell interests (or a solicitation of an offer to purchase interests) in any pooled investment vehicle (each a “Fund”), or*
- *A complete discussion of the features, risks or conflicts associated with any Fund, CLO or advisory service PAIA offers.*

*As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), we provide this Brochure to current and prospective clients and make it available to the public by filing it on the SEC’s Investment Adviser Public Disclosure website. Although this publicly available Brochure describes our investment advisory services and products, persons who receive this Brochure (whether or not from us) should be aware that it is designed solely to provide information about the investment advisory business of PAIA, as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure differs from information provided in other relevant documents applicable thereto including but not limited to a client’s organizational documents, offering documents and related transaction documents (“Governing Documents”). More complete information about each Fund is included in the Governing Documents, certain of which will be provided to current and eligible prospective investors only by the Fund or persons authorized to communicate with current or potential eligible investors by the Fund or on its behalf. Therefore, any discussion in this Brochure of the Funds advised by PAIA, including but not limited to the investments held, the strategies employed, the risks of investing in, the fees and costs associated therewith and the conflicts of interest faced by PAIA and its affiliates are qualified in their entirety by the respective Governing Documents. To the extent that there is any conflict between discussions herein and similar or related discussions in any such Governing Documents, Governing Documents shall govern and control.*

*No offer or solicitation for an investment in the offered securities of a Fund by the Firm will be made before the delivery of the relevant offering materials to potential investors who should read those materials carefully and consult with their tax, legal and financial advisors before making any investment decision.*

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#### **4. Advisory Business**

##### **Firm Description**

PAIA is a Delaware limited liability company that has been registered with the SEC as an investment adviser since March 9, 2015. Additional information about PAIA is available via the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

##### **Principal Owners**

PAIA is an indirect wholly owned subsidiary of The Guardian Life Insurance Company of America ("Guardian"), a New York mutual life insurance company and is a direct wholly owned subsidiary of Guardian Investor Services LLC ("GIS"), a Delaware limited liability company.

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

PAIA offers investment advisory services to institutional clients for separately managed account mandates focused on high yield and leveraged credit strategies which involve investing in fixed income securities, bank loans and high yield debt securities. PAIA can also offer investment advisory services in a multi-sector bond strategy to institutional clients for separately managed account mandates. This strategy seeks investment opportunities among a wide range of fixed income asset classes, including investment grade and below investment grade bonds, structured securities, leveraged loans and Treasury's. PAIA also manages assets for Guardian's general account in high yield and bank loan strategies and also manages assets for Guardian and certain affiliates in other strategies that are similar to or different from those offered to other clients (assets managed for Guardian, its affiliates or their respective general accounts, "Guardian Assets"). The personnel providing portfolio management, trading and other services with respect to Guardian Assets can be the same as, or different from, those managing other client assets; however, PAIA generally uses the same or similar analytical and quantitative tools in managing other client's assets as are used in managing Guardian Assets.

For accounts where PAIA has discretionary authority, clients can impose reasonable directions, guidelines and limitations on PAIA's management. PAIA will endeavor to follow reasonable directions, investment guidelines and limitations as set forth in the client's investment advisory/management agreement. Although PAIA seeks to provide individualized investment advice to its discretionary client accounts, PAIA will not accept investment directions, guidelines or restrictions that PAIA believes, in its discretion, are unduly burdensome or materially incompatible with PAIA's investment approach.

PAIA serves as the investment adviser to Guardian Variable Products Trust, an open-end management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"), on behalf of its series (each, a "Guardian Fund and collectively, the "Guardian Funds"): Guardian All Cap Core VIP Fund, Guardian Balanced Allocation VIP Fund, Guardian Core Plus Fixed Income VIP Fund, Guardian Diversified Research VIP Fund, Guardian Equity Income VIP Fund, Guardian Global Utilities VIP Fund, Guardian Growth & Income VIP Fund, Guardian Integrated Research VIP Fund, Guardian International Value

Equity VIP Fund, Guardian International Growth VIP Fund, Guardian Large Cap Disciplined Growth VIP Fund, Guardian Large Cap Disciplined Value VIP Fund, Guardian Large Cap Fundamental Growth VIP Fund, Guardian Mid Cap Relative Value VIP Fund, Guardian Mid Cap Traditional Growth VIP Fund, Guardian Select Mid Cap Core VIP Fund, Guardian Small Cap Core VIP Fund, Guardian Small-Mid Cap Core VIP Fund, Guardian Strategic Large Cap Core VIP Fund, Guardian Core Fixed Income VIP Fund, Guardian Multi-Sector Bond VIP Fund, Guardian Short Duration Bond VIP Fund, Guardian Total Return Bond VIP Fund and Guardian U.S. Government Securities VIP Fund. Each Fund, excluding Guardian Core Fixed Income VIP Fund, Guardian Multi-Sector Bond VIP Fund, Guardian Short Duration Bond VIP Fund, Guardian Total Return Bond VIP Fund and Guardian U.S. Government Securities VIP Fund, is sub-advised by a third-party investment adviser. Further information about each Guardian Fund's investment objectives, policies and restrictions is contained in the current Prospectus and Statement of Additional Information ("SAI") for the respective Guardian Fund.

PAIA also serves as the investment sub-adviser to certain open-end management investment companies registered under the 1940 Act and managed by Victory Capital Management Inc. (each, a "Victory Fund," and collectively, the "Victory Funds"). PAIA currently manages the assets of: Victory High Yield Fund and Victory Floating Rate Fund, each a series of Victory Portfolios; and Victory High Yield VIP Series, a series of Victory Variable Insurance Funds. Further information about each Victory Fund's investment objectives, policies and restrictions is contained in the current Prospectus and SAI for the respective Victory Fund.

Our advisory services to these registered investment companies, as well as conflicts of interest and risks, are described in each fund's prospectus and SAI, which are available through the SEC's EDGAR system.

PAIA also manages the investment assets of nine portfolios of collateralized loan obligations (the "CLO portfolios") for CLO offerings issued by Park Avenue Institutional Advisers CLO Ltd 2016-1 ("PAIA CLO 2016-1"), Park Avenue Institutional Advisers CLO Ltd 2017-1 ("PAIA CLO 2017-1"), Park Avenue Institutional Advisers CLO Ltd 2018-1 ("PAIA CLO 2018-1"), Park Avenue Institutional Advisers CLO Ltd 2019-1 ("PAIA CLO 2019-1"), Park Avenue Institutional Advisers CLO Ltd 2019-2 ("PAIA CLO 2019-2"), Park Avenue Institutional Advisers CLO Ltd 2021-1 ("PAIA CLO 2021-1"), Park Avenue Institutional Advisers CLO Ltd 2021-2 ("PAIA CLO 2021-2"), Park Avenue Institutional Advisers CLO Ltd 2022-1 ("PAIA CLO 2022-1") and Park Avenue Institutional Advisers CLO Ltd 2022-2 ("PAIA CLO 2022-2"). These CLO portfolios are Cayman Islands limited liability companies (the "CLO issuers"). Current and prospective investors and clients should refer to the applicable offering or private placement memorandum or other offering document, portfolio management agreement, collateral management agreement, investment management agreement, warehouse agreement or other relevant governing document for information on the investment objectives and investment restrictions and tests that are applicable to the investments being managed by PAIA in connection with the CLO offerings. Our advisory services to these CLO portfolios, as well as conflicts of interest and risks, are described in each of the CLO offering documents. During the process of negotiating the CLO indenture, PAIA, along with other deal participants, including the placement agents, rating agencies and investors, will determine the parameters of the underlying loan collateral for the applicable CLO portfolio.

As of December 29, 2023, PAIA manages \$75,814,977,831, all on a discretionary basis of which \$66,558,280,815 are Guardian Assets.

## **5. Fees and Compensation**

### **Institutional Separately Managed Accounts**

Performance-based fees can be negotiated in lieu of fixed fees in certain circumstances. Fees for PAIA services are computed and billed quarterly based on the total value of each client's account (calculated by PAIA pursuant to its valuation procedures) and are typically payable in arrears as of a predetermined date. The investment advisory contract is cancelable by the client at any time, subject to any notice or other requirements set forth in the relevant contract. To the extent an advisory contract requires, or a client elects, to pay advisory fees in advance, such fees will be pro-rated for the period, based upon the average daily assets under management for the period, and refunded upon early termination of the investment advisory contract. PAIA basic fees for services are as follows:

#### **Fee Schedule for Leveraged Credit Strategies**

0.48% per year on the first \$150 million  
0.43% per year on the next \$300 million  
0.40% per year for the remaining balance  
Minimum account size: \$50 million

#### **Fee Schedule for High Yield**

0.48% per year on the first \$150 million  
0.40% per year for the remaining balance  
Minimum account size: \$50 million

#### **Fee Schedule for Strategic Income**

0.50% per year on the first \$200 million  
0.40% per year for the remaining balance  
Minimum account size: \$50 million

The fees and services for each separately managed account mandate will be individually negotiated depending on factors such as asset class, portfolio complexity, client type, and account size or other special circumstances.

Fees for management of Guardian Assets can vary from the fees charged to other clients. Fees and expenses paid by the registered investment companies are set forth in each registered investment company's prospectus and SAI.

In addition to investment advisory and management fees, separately managed account mandates also bear other types of expenses, such as custody and audit fees, commissions, and transaction costs. Brokerage expenses and related trading costs are discussed more fully in Item 12.

## **Collateralized Loan Obligations**

As compensation for its services under Collateral Management Agreements with CLO issuers, PAIA is entitled to receive “Collateral Management Fees,” consisting of the Senior Management Fee, the Subordinated Management Fee and the Incentive Management Fee. Collateral Management Fees are payable to PAIA in arrears in accordance with the Priority of Payments as set forth in the corresponding Indenture.

The “Senior Management Fee” will accrue quarterly in arrears for each Collection Period (or prorated portion thereof, if applicable), in an amount equal to 0.20% per annum for PAIA CLO 2016-1, PAIA CLO 2019-1 and PAIA CLO 2019-2, 0.15% per annum for PAIA CLO 2017-1, PAIA CLO 2018-1, PAIA CLO 2021-1, PAIA CLO 2021-2, PAIA CLO 2022-1 and PAIA CLO 2022-2 (calculated on the basis of a 360-day year consisting of twelve 30-day months) of the Fee Basis Amount at the beginning of such Collection Period; provided that, that the Senior Management Fee payable on any Payment Date shall not include any such fee (or any portion thereof) that has been waived by PAIA no later than the Determination Date immediately prior to such Payment Date pursuant to the Collateral Management Agreement.

The “Subordinated Management Fee” will accrue quarterly in arrears for each Collection Period (or prorated portion thereof, if applicable), in an amount equal to 0.20% per annum for PAIA CLO 2016-1, PAIA CLO 2019-1 and PAIA CLO 2019-2, 0.35% per annum for PAIA CLO 2017-1 and 0.25% per annum for PAIA CLO 2018-1, PAIA CLO 2021-1 PAIA CLO 2021-2, PAIA CLO 2022-1 and PAIA CLO 2022-2 (calculated on the basis of a 360-day year consisting of twelve 30-day months) of the Fee Basis Amount at the beginning of such Collection Period; provided that, the Subordinated Management Fee payable on any Payment Date shall not include any such fee (or any portion thereof) that has been waived by PAIA no later than the Determination Date immediately prior to such Payment Date pursuant to the Collateral Management Agreement.

The “Incentive Management Fee” will accrue quarterly in arrears from and after the Payment Date on which the Subordinated Notes issued on the Closing Date have realized an Internal Rate of Return (generally, the annualized rate of return computed using the “XIRR” function in Microsoft® Excel or an equivalent function in another software package, based on the assumption that the Subordinated Notes issued on the Closing Date have a purchase price of 100% of par) of at least 12%, in an amount equal to 20% of the remaining Interest Proceeds and Principal Proceeds that would otherwise have been available to make distributions on the Subordinated Notes.

In general, PAIA will be responsible for all of its ordinary expenses incurred in the performance of its investment management duties in respect of any CLO portfolio, including the expenses and fees of any third party retained by PAIA to assist in the performance of such duties. However, (i) transactional expenses (such as brokerage commissions, transfer fees, registration costs, taxes and other similar transaction-related expenses), (ii) legal and accounting expenses in connection with the CLO portfolio, (iii) extraordinary expenses (such as those incurred in connection with the default or restructuring of a collateral debt obligation or the defense of liability claims), and (iv) in some cases, expenses of unaffiliated third party



technology vendors which are necessary to be incurred by PAIA to manage the vehicle will typically be payable out of the assets of the CLO portfolio subject to an Administrative Expense Cap as defined in the CLO indenture.

Pursuant to each CLO's indenture, each CLO portfolio is also responsible for the trustee fees, administration fees, legal expenses and other administration expenses that it incurs subject to an Administrative Expense Cap as defined in the CLO indenture.

### **Shared Expenses**

Certain costs and expenses are incurred for the benefit of, or are shared by, multiple clients, which can include Guardian Assets ("Shared Expenses"). Pursuant to its expense allocation policy and procedures, PAIA seeks to allocate Shared Expenses in a manner that is fair and equitable to such clients. In most cases, Shared Expenses are allocated *pro rata* based on assets under management or, where a Shared Expense relates to a particular investment, amount invested; however, PAIA can allocate certain Shared Expenses differently, if PAIA believes that doing so is appropriate under the circumstances. PAIA faces conflicts of interest in determining which clients benefit from a Shared Expense, and in allocating the burden of Shared Expenses, where PAIA (i) has differing pecuniary interests in relevant clients (e.g., performance related fees or where the client represents Guardian Assets), (ii) has agreed to cap expenses for one or more clients or (iii) where a client's Governing Documents prohibit that client from bearing a particular expense (in such cases, PAIA would, itself bear the expense, or a portion of the expense).

## **6. Performance-Based Fees and Side-By-Side Management**

Under appropriate circumstances, PAIA will consider entering into arrangements that provide for the payment of performance-based compensation based on the income generated, capital gains or capital appreciation generated in the client's account or some other measure of the account's performance. Additionally, as discussed above, CLOs are typically subject to fees that include a performance-based component.

Performance-based fees can be paid in lieu of, or in addition to, PAIA's usual asset-based management fee. The management of accounts with performance-based fees alongside accounts without such fees can represent a conflict of interest as PAIA would have an incentive to favor accounts with performance-based fees in order to generate greater revenue for PAIA. A similar conflict can exist from managing client accounts paying a higher asset-based fee than other accounts or accounts containing assets owned by PAIA, its employees, or its owners. PAIA has adopted investment allocation policies and procedures to address these potential conflicts of interest. These policies and procedures are reasonably designed to monitor and prevent PAIA from inappropriately favoring one type of account over another. Portfolio managers can allocate executed trades in a different manner than indicated on the original allocation prepared at the time of order entry (e.g., non-*pro rata*) only if all client accounts receive fair and equitable treatment. In such cases, alternative methods of allocations can be designed in consultation with Compliance and documented accordingly. Additionally, the presence of a performance-based fee creates an incentive for PAIA to take greater investment risk in an effort to generate returns that yield a performance fee payment than it might take

absent such a fee structure.

Further details on PAIA's investment allocation policies and procedures are provided in the Brokerage Practices set forth in Item 12 below.

## **7. Types of Clients**

PAIA provides investment advisory services to registered open-end management investment companies and the CLO portfolios.

The CLO portfolios managed by PAIA are securitized asset vehicles exempt from registering as investment companies under the Investment Company Act of 1940. The target par amount of the assets in each CLO portfolio is determined at the pricing of the liabilities of the CLO portfolio between PAIA and the investors in consultation with the CLO issuer, placement agent and rating agencies.

PAIA also provides investment advisory services to institutional clients (including Guardian and certain of its affiliates) for separately managed account mandates focused on high yield and leveraged credit strategies. PAIA generally requires a minimum value for separately managed account assets under management of \$50 million. This minimum can be negotiated. Although PAIA manages other investment strategies and assets for Guardian and certain of its subsidiaries such as equity interests in real estate property, commercial mortgage lending, private equity funds and private placement debt, these investment strategies are not offered to external clients.

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

### **Methods of Analysis**

PAIA applies an active top-down and bottom-up analysis to construct an investment portfolio. PAIA uses a blend of fundamental research and quantitative tools to evaluate global economic conditions, opportunities, and risks across different segments of the fixed income market. The portfolio managers of PAIA adhere to a disciplined investment management process. Primary consideration is given to independent and proprietary credit research and analysis. In making investments, the portfolio managers select specific investments by considering a wide variety of factors, including yield, potential for appreciation in value, the credit quality of the issuer or collateral, maturity, and the degree of perceived risk associated with a specific investment relative to the potential for favorable investment returns and to other investments. Quantitative analytics are incorporated in identifying investment opportunities. PAIA seeks to actively manage credit and portfolio risk by a process that combines active fundamental credit analysis and quantitative risk management and by portfolio diversification across various industry sectors and issuers. Active credit risk management involves independent fundamental analysis, and frequent credit reviews to manage risks effectively and on a timely basis. Portfolio managers for leveraged credit strategies such as CLOs review loan characteristics, covenants, relative value, and other factors, and perform cash flow modeling and other credit analysis.

PAIA employs a quantitative and rigorous risk management process consistent with industry best practices. Investment risks are analyzed daily. Daily performance measurements and weekly attribution analyses are conducted to provide portfolio managers, traders and analysts with an independent feedback mechanism. Both risk management and performance attribution are performed by an experienced team of quantitative risk analysts. Portfolio performance, research and risk are evaluated daily using a variety of internal and external systems.

## **Investment Strategies and Risk of Loss**

PAIA provides investments advisory services to separately managed account mandates primarily focusing on high yield and leveraged credit strategies. Investments in these strategies are subject to many risks, including interest-rate, regulatory, liquidity, mortgage prepayment, issuer or credit, and distressed debt/default risks. The following descriptions of strategy types and their investments are general in nature and can vary by client account. Client accounts are typically not diversified across asset classes and, therefore, are not intended to represent a complete investment program for an individual investor. Investing in securities involves risk of loss that clients should be prepared to bear, including by diversifying their investments as a whole.

### **High Yield Strategies**

The high yield strategies invest in high yield corporate bonds, convertible bonds and other debt securities, that are rated below investment grade by nationally recognized statistical ratings organizations (commonly known as “high-yield” securities). There is no lower limit on the rating of securities that can be held. Some of the securities can be in default. The debt securities and other investments in which the account invests can include, for example, corporate bonds, mortgage-backed and asset-backed securities, zero-coupon bonds, “payment-in-kind” securities, and convertible bonds. The account can invest in loans and corporate bonds issued in connection with highly leveraged transactions such as mergers, leveraged buy-outs, re-capitalizations, and acquisitions.

### **Leveraged Credit Strategies**

The leveraged credit strategies, which include CLO portfolios, invest in various types of loans. These portfolios typically invest in senior secured corporate loans. Floating rate loans are debt obligations of companies or other entities that have interest rates that adjust or “float” periodically, normally on a daily, monthly, quarterly, or semiannual basis by reference to a base lending rate (such as Secured Overnight Financing Rate (“SOFR”) plus a premium. A floating rate loan is typically structured and administered by a financial institution that acts as the agent of the lenders participating in the floating rate loan. The portfolios will typically acquire loans directly in a transaction arranged through an agent or by assignment from another holder of the loan.

Senior floating rate loans typically hold a senior position in the capital structure of the borrower, are typically secured by specific collateral, and have a claim on the assets and/or stock of the borrower that is senior to that held by subordinated debtholders and stockholders of the borrower. While these protections can reduce risk, these investments still present significant credit risk. For example, the portfolios can be delayed or prevented from realizing

on its collateral. A significant portion of floating rate investments can be issued in connection with highly leveraged transactions such as leveraged buyouts, leveraged recapitalization loans, and other types of acquisition financing. Obligations in these types of transactions are subject to greater credit risk (including default and bankruptcy) than many other investments.

The CLO portfolios also hold a portion of second lien loans (secured loans with a claim on collateral subordinate to a senior lender's claim on such collateral).

Summaries of the risks associated with these strategies are described below. Not all of the risks listed will pertain to every client account and can be dependent on the type of investments made in the account. The risks listed below are not intended to be a complete description or enumeration of the risks associated with the strategies and methods of analysis used by PAIA. Recipients who invest or are considering an investment in any CLO or fund managed by PAIA should consult the relevant offering and disclosure documents for the CLO or fund for additional discussion of the risks associated with such an investment.

### **Fixed Income Risks**

Portfolios that invest in bonds and other fixed income securities are subject to certain risks, including but not limited to, interest rate risk, credit risk, prepayment risk and market risk, which could reduce the yield that an investor receives from his or her portfolio.

### **Interest Rate Risk**

The value of an investment can decline because of a change in interest rates. The negative impact on fixed income and debt instruments from potential interest rate changes could be swift and significant, including falling market values, and reduced liquidity that could adversely affect investment performance. The value of an instrument with a longer duration will be more sensitive to changes in interest rates than a similar instrument with a shorter duration. Clients can be particularly susceptible to an increase in interest rates given that interest rates are near historic lows. In addition, clients can be subject to the risk that the client's income will decline because of falling interest rates, including negative interest rates, if such client holds floating or variable rate debt securities or if an issuer fails to pay interest and principal in a timely manner.

### **Credit Risk**

The possibility that a bond issuer will not pay interest as scheduled or repay the principal at maturity also known as default risk.

### **Inflation Risk**

When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

### **Reinvestment Risk**

This is the risk that future proceeds from investments could have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.

**Financial Risk**

Excessive borrowing to finance business operations increases the risk of loss if the company is unable to meet the terms of its loan obligations. During periods of financial stress, the inability to meet loan obligations can result in bankruptcy and/or a declining market value.

**Liquidity Risk**

When consistent with a client's investment objectives, guidelines, restrictions and risk tolerances, client portfolios can be invested in illiquid securities, subject to applicable investment standards. Investing in an illiquid (i.e., difficult to trade) security can restrict the ability to dispose of investments in a timely fashion or at an advantageous price, which can limit the ability to take full advantage of market opportunities.

**High-Yield Bond Risk**

Investments in high-yielding, non-investment grade bonds involve higher risk than investment grade bonds. These lower quality bonds can involve a substantially greater risk of default than investment grade bonds. Adverse conditions can affect the issuer's ability to make timely interest and principal payments on these securities. High-yield, below investment-grade and unrated bonds can be less liquid and more volatile than investment-grade bonds and are considered predominantly speculative with respect to their capacity to pay interest and principal. These investments can be particularly difficult to value accurately and sell at an advantageous price or time and can experience higher default rates than higher rated investments.

**Loan Risk**

Investments in loans are generally subject to the same risks as investments in other types of debt securities, especially those rated below investment grade. Investments in loans are particularly subject to, among other risks, credit risk, interest rate risk, and counterparty risk. Investments in loans can be difficult to value accurately and can be more susceptible to liquidity risk than fixed income (or debt) investments of similar credit quality and/or maturity. Loans often are rated below investment-grade and can be unrated and subject clients to the risk that the value of the collateral for the loan can be insufficient to cover the borrower's obligations should the borrower fail to make payments or become insolvent. Loans held through, or administered by, another financial institution can be subject to the credit risk of that financial institution. In addition, collateral securing a loan can be insufficient or unavailable, and the right to receive a return of collateral can be limited by bankruptcy or insolvency laws. Participations in loans can subject clients to the credit risk of both the borrower and the issuer of the participation and can make enforcement of loan covenants (if any) more difficult as legal action could have to go through the issuer of the participations. Investments in loans that lack or possess fewer or contingent contractual restrictive covenants are particularly susceptible to the risks associated with these investments. There could be limited public information available regarding the loan. Transactions in loans often settle on a delayed basis, and the proceeds from the sale of a loan in certain circumstances would not be received for a substantial period of time after the sale. In addition, loans and other similar investments could be considered not to be "securities" and, as a result, clients could not be entitled to rely on the anti-fraud protections under the federal securities laws and instead could have to resort to state law and direct claims.

Lack of a ready market or restrictions on resale could limit the ability to sell a loan at an advantageous time or price. Adverse market or economic conditions, including rising interest rates, can adversely affect the liquidity of the portfolio's loan investments or experience higher than normal default rates. In addition, the portfolio can hold a position in a loan that is large relative to the typical trading volume for that loan, which can make it difficult to dispose of the position at an advantageous time or price.

### **General Risks**

There are general risks associated with investing. There is no guarantee that a client's investment objectives will be achieved. Investment returns will vary and there is no guarantee of positive results or protection against loss. If a security is denominated in a currency other than the U.S. dollar, there is a risk that the value of that security will be diminished due to fluctuations in the relative value of the foreign currency against the U.S. dollar. In some strategies PAIA uses derivatives, such as swaps, forwards, futures, options on futures and other options, which are subject to additional risks, including that the value of the derivative does not correlate with the value of the underlying security, rate or index, that portfolio volatility increases due to the leverage associated with the use of derivatives, and that the counterparty to the derivative is unable to satisfy its obligations or PAIA is not otherwise able to sell or close out its position. No warranties or representations are made by PAIA or its supervised persons concerning any of the investments described in this brochure.

### **General Market Risk**

Economies and financial markets throughout the world are becoming increasingly interconnected, which increases the possibilities that events or conditions in one country or region will adversely impact markets or issuers in other countries or regions. Securities in any one strategy can under-perform in comparison to general financial markets, a particular financial market or other asset classes, due to a number of factors, including inflation or expectations for inflation), deflation (or expectations for deflation) interest rates, global demand for particular products or resources, market instability, debt crises and downgrades, embargoes, tariffs, sanctions and other trade barriers, regulatory events, other governmental trade or market control programs and related geopolitical events. In addition, the value of a strategy's investments can be negatively affected by the occurrence of global events such as war, terrorism, environmental disasters, natural disasters or events, country instability, and infectious disease epidemics.

### **Counterparty Risk**

By its nature, investing in securities involves exposure to counterparty risk. The risk that the counterparty to a transaction will fail to perform its obligations under the transaction. This risk arises in the context of ordinary securities purchases and sales, where a counterparty could be unable to satisfy its obligation to deliver cash or securities necessary to settle the transaction, and is especially pronounced in derivative or other transactions that do not close or settle for an extended period of time and for which there is no central clearinghouse or other facility that requires daily mark-to-market valuations, margin payments or other protections that are designed to reduce the financial impact of counterparty failure. In an effort to mitigate counterparty risk, PAIA has adopted policies and procedures governing the evaluation and monitoring of counterparties and the manner in which it enters into transactions with such

counterparties. As part of these policies, PAIA reviews each counterparty through an initial approval process and then engages in ongoing monitoring to seek to identify changes in counterparty creditworthiness and to limit concentrated exposure to a single counterparty. While it is PAIA's general policy to mitigate counterparty risk by trading with a range of counterparties, at times PAIA will concentrate its trading in certain types of securities with a small number of counterparties or clearing firms, including in some cases a single counterparty, where it believes the risk of doing so is reasonable in relation to the benefits of such concentration.

### **Regulatory Risk**

PAIA is subject to a variety of laws and regulations that govern its operations. The laws and regulations affecting our business change from time to time, and we are operating in an environment of significant regulatory reform. Similarly, the businesses and other issuers of the securities and other instruments in which client accounts invest are also subject to considerable regulation. These laws and regulations are subject to change. A change in laws or regulations can materially impact a client account, a security, business, sector or market. For example, a change in laws or regulations made by the government or a regulatory body can impact the ability of a client account to achieve its investment objective, can impact the account's investment policies or strategies, or can reduce the attractiveness of an investment. A client account can also incur additional costs to comply with any new requirements as well as to monitor for compliance with any new requirements going forward. A client account can also be adversely affected by changes in the interpretation or enforcement of existing laws or regulations. PAIA is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940 (the "Advisers Act"), as amended. Being subject to SEC regulations can increase compliance costs, which could be borne by a client account and can affect the account's returns.

### **Cybersecurity Risk**

As the use of technology has become more prevalent in the course of business, PAIA has become more susceptible to operational and financial risks associated with cyber security. Like all businesses that use computerized data, the systems PAIA uses might in some circumstances be subject to a variety of possible cybersecurity incidents or similar events that could potentially result in the inadvertent disclosure of data to unintended parties, or the intentional misappropriation or destruction of data by malicious actors mounting an attack on computer systems. PAIA's parent Guardian maintains an information technology security policy and program that includes certain technical and physical safeguards intended to protect the integrity, availability and confidentiality of the data and the systems that store it and take other reasonable precautions to limit the potential for cybersecurity incidents, and to protect data from inadvertent disclosure or wrongful misappropriation or destruction. Nevertheless, despite reasonable precautions, cybersecurity incidents could occur, and might in some circumstances result in unauthorized access to sensitive information about PAIA or its clients.

In addition, such incidents might cause damage to client accounts, data or systems. Furthermore, these systems can fail to operate properly or become disabled as a result of events or circumstances wholly or partly beyond PAIA or others' control. Technology failures, whether deliberate or not, including those arising from use of third-party service providers

could have a material adverse effect on PAIA business or client accounts and could result in, among other things, financial loss, reputational damage, regulatory penalties, or the inability to transact business.

The occurrence of any of these problems could result in a loss of information, the inability to process client account transactions or calculate a client account value, violations of applicable privacy and other laws, regulatory scrutiny, penalties, fines, reputational damage, additional compliance costs or other consequences, any of which could have a material adverse effect on a client account. PAIA, through its monitoring and oversight of client account service providers, endeavors to determine that service providers take appropriate precautions to avoid and mitigate risks that could lead to such problems. However, it is not possible for PAIA or PAIA service providers to identify all of the cybersecurity or other operational risks that can affect an account or to develop processes and controls to completely eliminate or mitigate their occurrence or effects. Most issuers in which a client account invests are heavily dependent on computers for data storage and operations and require ready access to the internet to conduct their businesses. Thus, cybersecurity incidents could also affect issuers of securities in which a client account invests, leading to significant loss of value. A client account can incur substantial costs to prevent or address cybersecurity incidents in the future.

### **Uncertainty Risk**

Political, social and economic uncertainty creates and exacerbates risks and could impact our investment strategies, processes and methods of analysis. Social, political, economic and other conditions and events (such as natural disasters, epidemics and pandemics, terrorism, conflicts and social unrest) will occur that create uncertainty and have significant impacts on issuers, industries, governments and other systems, including the financial markets, to which client investments are exposed. As global systems, economies and financial markets are increasingly interconnected, events that once had only local impact are now more likely to have regional or even global effects. Events that occur in one country, region or financial market will, more frequently, adversely impact issuers in other countries, regions or markets, including in established markets such as the United States. These impacts can be exacerbated by failures of governments and societies to adequately respond to an emerging event or threat.

For example, the COVID-19 outbreak has led and for an unknown period of time could continue to lead to disruptions in local, regional, national and global markets and economies affected thereby. COVID-19 has resulted in, and until fully resolved is likely to continue to result in, among other things: (i) government imposition of various forms of “stay at home” orders and the closing of “non-essential” businesses, resulting in significant disruption to businesses, including supply chains, demand and practical aspects of their operations, as well as in lay-offs of employees, and, while these effects are hoped to be temporary, some effects could be persistent or even permanent; (ii) volatility and disruption of these markets including greater volatility in pricing and spreads and difficulty in valuing loans during periods of increased volatility, and liquidity issues; and (iii) rapidly evolving proposals and/or actions by local, state and federal governments to address problems being experienced by the markets and by businesses and the economy in general, which will not necessarily adequately address the problems facing the markets and the economy in general. Variations of the SARS-CoV 2 virus have (i) increased the rate at which the virus spreads and, in some cases, the severity of



infections and (ii) impacted the efficacy of vaccines that have been developed, prolonging and in some cases increasing economic disruption. As a result, it continues to be difficult to predict: the scope of this outbreak or any future outbreaks; how long any such outbreak, market disruption or uncertainties will last; the effect any governmental actions will have; or the full potential impact on us, the issuers in which we invest and our clients.

Although it is impossible to predict the precise nature and consequences of these (or similar) events, or of any political or policy decisions and regulatory changes occasioned by emerging events or uncertainty on applicable laws or regulations that impact us, our clients and their investments, it is clear that these types of events do (and will, for at least some time, continue to) have an impact that in many instances is adverse and profound. There can be no assurance that such emerging events will not cause a client to suffer a loss of any or all of its investments or interest thereon. A client would also be negatively affected if our operations and effectiveness or those of PAIA's affiliates or an issuer (or any of the key personnel or service providers of PAIA, its affiliates or the issuers in which PAIA invests) is compromised or if necessary or beneficial systems and processes are disrupted.

For additional risk disclosures relating to the CLO portfolios or registered open-end management investment companies, current and prospective investors and clients should refer to the applicable offering document or prospectus.

PAIA does not provide legal or tax advice. Clients with tax or legal questions should seek a qualified independent expert for advice tailored to their specific circumstances.

## **9. Disciplinary Information**

Neither PAIA nor any of its management personnel have been the subject of any legal or disciplinary matters required to be disclosed that are material to a client's or prospective client's evaluation of our advisory business or the integrity of the firm.

## **10. Other Financial Industry Activities and Affiliations**

PAIA is an indirect wholly owned subsidiary of The Guardian Life Insurance Company of America ("Guardian"), a New York mutual life insurance company and directly owned by Guardian Investor Services LLC ("GIS"), a Delaware limited liability company. GIS is a wholly owned subsidiary of Guardian. Park Avenue Investment Advisory, LLC ("PAA") is an indirect wholly owned subsidiary of Guardian and a direct wholly owned subsidiary of GIS. Park Avenue Securities LLC ("PAS"), a Delaware limited liability company is direct wholly owned subsidiary of Guardian. Guardian also wholly owns Guardian Broadshore, LLC, a Delaware limited liability company that owns 85% of Broadshore Capital Partners, LLC ("Broadshore"), a Delaware limited liability company. PAS, PAA and Broadshore are registered investment advisers. PAS is also a registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA"). PAIA earns mutual fund management fees. In addition, Guardian's subsidiary, The Guardian Insurance & Annuity Company, Inc., is the issuer of variable annuity contracts and variable life insurance policies funded by the insurance company separate accounts that invest in one series of Victory Variable Insurance

Funds that is sub-advised by PAIA and each of the series of Guardian Variable Products Trust that are advised by PAIA. Certain PAIA officers and managers are registered representatives of PAS.

Additionally, as noted above, certain of PAIA's clients are affiliates and the Guardian Assets constitute a material portion of PAIA's regulatory assets under management. Certain Guardian personnel are dually associated with PAIA ("Shared Personnel") and Guardian also provides certain back-office and other functions. Shared Personnel are compensated by Guardian, and PAIA reimburses Guardian for a portion of the compensation and other costs related to Shared Personnel.

Shared Personnel include portfolio managers, traders and others who often provide similar services for Guardian and, as such, could act in similar capacities for Guardian and PAIA in providing services to Guardian directly, to PAIA in managing Guardian Assets and to PAIA in managing other clients' assets. The relationship between PAIA and Guardian could create an incentive for Shared Personnel to favor Guardian or accounts constituting Guardian Assets over the accounts of other PAIA clients.

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

PAIA has a written code of ethics that requires its supervised persons, including persons with access to investment information ("Access Persons") to avoid activities, interests and relationships that might interfere or appear to interfere with making decisions in the best interests of clients. Access Persons must obtain prior clearance before engaging in personal transactions in securities, subject to limited exemptions as described in our code of ethics. All Access Persons must file an initial report of their holdings in non-exempt securities and affiliated mutual funds, report all personal securities transactions in non-exempt securities, and file an annual statement with respect to their personal securities holdings, within the time periods prescribed by the code of ethics. Access Persons are prohibited from profiting from short-term trading. No Access Persons can make personal use of material non-public information or engage in a securities transaction available only by reason of his or her position with PAIA or its affiliates; each investment opportunity by a PAIA client, including mutual funds, must first be made available to the client before the Access Person can take personal advantage of the opportunity. PAIA has policies and procedures in place to monitor the personal trading of all personnel involved in managing client portfolios. PAIA will provide a copy of the code of ethics to any client or prospective client upon request.

As noted above, portfolio managers of PAIA, including Shared Personnel, also manage Guardian Assets. Portfolio managers can make investment decisions and place trades for the Guardian Assets that are similar to those made for clients, or they can purchase or sell securities for one portfolio and not another, as appropriate in light of the investment objectives and strategies of each respective portfolio. Portfolio managers can place transactions on behalf of the Guardian Assets that are directly or indirectly contrary to investment decisions made on behalf of a client. To address these and other potential conflicts of interest, PAIA has adopted trade allocation policies and procedures, and has established monitoring procedures for compliance with each client's investment policies and with the code of ethics.

PAIA has adopted Insider Trading Policies and Procedures in accordance with Section 204A of the Advisers Act, which PAIA believes are reasonably designed to detect and prevent the misuse of material non-public information. The Insider Trading Policies and Procedures operate in conjunction with PAIA's Code of Ethics. In some cases, PAIA or Shared Personnel could come into possession of material non-public information. Under PAIA's Insider Trading Policies and Procedures, information barriers are maintained that are reasonably designed to assure that personnel who are anticipated to receive such information in connection with their investment activities ("private side personnel") are separated from other personnel ("public side personnel"). However, from time to time, public side personnel could receive, intentionally or inadvertently, material non-public information. Where personnel have material non-public information, and an information barrier is not in place to limit that information from being imputed to PAIA generally, PAIA would be unable to purchase or sell securities of an issuer as to which it has such information or to share such information with clients, resulting in a constraint on client investments and an inability to take an action with respect to an investment that might otherwise have been taken in the absence of such information being present. In contrast, decisions by PAIA to refrain from receiving certain information that could constitute material non-public information about an issuer, could result in PAIA having less complete information in making an investment decision.

## **12. Brokerage Practices**

### **Research and Other Soft Dollar Benefits**

Soft dollars are defined as arrangements under which products or services other than the execution of securities transactions are obtained by an adviser from or through a broker-dealer in exchange for the direction of securities trades to the broker-dealer. At this time, PAIA does not obtain research through any third-party soft-dollar arrangements. PAIA does receive research services that are ancillary to the brokerage business from brokers that can be selected to execute client transactions and the quality and usefulness of research provided by brokers can be considered when allocating brokerage. Additionally, Guardian receives and Shared Personnel could benefit from research received from brokers in connection with trading activities on behalf of Guardian accounts that could be used to benefit other clients.

PAIA does not rely solely on research received from brokers for investment decisions and also considers research from Guardian's extensive credit and quantitative research teams.

### **Brokerage for Client Referrals**

PAIA does not consider client referrals in selecting or recommending broker-dealers, although it can determine to execute transactions with brokers that could provide client referrals, where doing so is consistent with PAIA's duty to seek best execution.

### **Directed Brokerage**

PAIA currently does not have, or anticipate entering into, a directed brokerage arrangement with any client.

## **Best Execution**

PAIA places orders with the overriding goal of obtaining best execution at a fair, competitive brokerage cost. PAIA believes that best execution is significantly impacted by the choice of brokers and dealers (collectively, "brokers") used to execute individual trades. Brokers are selected primarily on the basis of the execution capability and trading expertise consistent with the effective execution of the transaction. As discussed above, PAIA can, in its discretion, use brokers that provide PAIA with research, analysis, advice and similar services to execute portfolio transactions on behalf of client accounts. In evaluating brokers for any transaction, PAIA considers those factors that it deems relevant to the particular transaction and on a continuing basis, including the breadth of the market in the security, the price of the security, the financial condition and execution capability of the broker and/or dealer, and the reasonableness of the bid-ask spread or commission, if any.

PAIA seeks to develop and maintain relationships with brokers it has determined to be competitive in the sourcing and pricing of securities that PAIA seeks to purchase or sell on behalf of its clients. Other important factors considered in the selection of brokers for fixed income strategy trades include, but are not limited to, the following: ability to execute and settle the trade in a prompt, orderly and satisfactory manner; market impact of the trade; and confidentiality. PAIA has adopted policies and procedures for seeking best execution that incorporate the Funds' fixed income strategies and periodically reviews transaction cost analysis reports provided by a third-party vendor.

PAIA does not execute trades through any affiliated broker-dealers.

## **Order Aggregation**

PAIA allocates purchase and sale transactions among its clients and the Guardian Assets in a manner that it deems fair and equitable over time. Each account is reviewed to determine whether the purchase or sale of a particular security is appropriate in light of the relevant investment objectives and restrictions, cash position, need for liquidity, sector concentration and other objective criteria. Consideration is also given to accounts (including CLOs) which are ramping up or have sizable inflows or outflows of funds. PAIA strives to ensure that each transaction entered into is consistent with its duties to each client, including the duty to seek best execution. In general, the same investment personnel responsible for managing client assets are also responsible for managing Guardian Assets. Where the participating accounts include CLOs and Guardian Assets, Shared Personnel can determine to allocate an investment solely or principally to the CLOs for which Guardian is the economic equity owner; but such decisions are made in their capacity as officers of Guardian and will not adversely impact allocations to any other clients.

If orders for more than one account are aggregated, the order ticket will reflect the allocation of the order (or indication of interest). If the entire order is filled, the securities or proceeds will generally be allocated among the participating clients in accordance with the pre-trade allocation or indications of interest. If there is an insufficient amount of securities or sale proceeds to satisfy all clients (a "partial fill"), the securities or proceeds will be allocated pro

rata based on the allocation each participant would have received if the order had been filled in its entirety according to the original pre-trade allocation or indications of interests, except in cases of rounding or immaterial quantities. For partial fills, it is possible that a pro rata allocation will not be possible or desirable. In these cases, PAIA's investment management team will seek to allocate the proceeds in a manner that is fair and equitable over time with consideration of a number of other factors based on PAIA's good-faith assessment of the investment opportunity relative to the objectives, limitations, and requirements of each client account. For example, PAIA can determine to allocate relatively more of an opportunity in a particular investment to accounts (including Guardian Assets) whose investment objectives involve concentration in investments of the type being allocated, provided that such allocations remain consistent with PAIA's allocation policies and its duty to promote fair and equitable treatment of clients over time.

Accordingly, PAIA will increase or decrease the amount of securities allocated to one or more accounts, if necessary, under certain circumstances. PAIA's allocation decisions among client accounts will potentially be more or less advantageous to any one account or group of accounts. As a result of these allocation issues, the amount, timing, structuring, or terms of an investment by a client account at times will differ from, and performance potentially will be lower than, investments and performance of other client accounts. Client accounts that either receive a less than pro rata or no allocation of an investment opportunity that performs well can experience lower performance overall. Conversely, accounts that receive a greater than pro rata allocation of an opportunity that ultimately underperforms could experience lower overall performance.

### **13. Review of Accounts**

Each portfolio manager is responsible for managing their portfolios in a manner that is consistent with the portfolio's stated investment objectives, guidelines and restrictions. The portfolio managers accomplish this by having an in-depth knowledge of the investment objectives, policies and restrictions of the portfolios they manage. Each portfolio manager monitors adherence with the portfolio's investment guidelines and restrictions through ongoing access to a set of reports provided by internal systems, investment database, the pre-trade compliance system, and detailed risk reports provided daily by the quantitative risk team. The compliance department, under the supervision of the Chief Compliance Officer, also performs exception-based monitoring of investment restrictions on a post-trade basis.

#### **Institutional Accounts**

Each separately managed account mandate will be managed by a PAIA investment team, which will be assigned primary responsibility for the day-to-day management and ongoing monitoring of the account. The investment team's continuous review of an account includes the review of the appropriateness of portfolio holdings and transactions in light of the account's investment objective, guidelines, and restrictions and changes in market conditions. In all cases, accounts are also subject to review by operations and compliance personnel, who monitor account trading on a daily basis with systems that incorporate pre-trade or post-trade compliance testing against many account guidelines and restrictions. On a quarterly basis, each

investment team meets with PAIA's senior managing director for portfolio management to review portfolio holdings, characteristics, strategies, and performance attribution analysis.

### **CLO Portfolios**

Investors in the CLO portfolios that PAIA advises generally have access to monthly portfolio analytics and holdings of the CLO portfolio investments on a data site operated by the independent trustee and collateral administrator of each such CLO portfolio. PAIA reviews each of these reports and reconciles the information in the reports against its records before the reports are finalized and made available to investors in the CLO portfolio. Among other things, the reports include the following information for each CLO portfolio: results of coverage tests, collateral quality tests and portfolio concentration limits; summaries of investments and cash positions; summaries of investments purchased and sold; summaries of ratings changes on underlying investments; and on a quarterly basis cash distributions made by the CLO portfolio.

In addition, the independent trustee and collateral administrator of each such CLO portfolio have daily access to the investment books and records of the CLO portfolio.

### **Registered Funds**

Registered funds' boards receive quarterly reporting packages and each fund's portfolio is managed by PAIA in a manner similar to that of Institutional Accounts (as described above).

## **14. Client Referrals and Other Compensation**

PAIA does not make client referrals or solicit clients, nor does it pay any compensation for client referrals or solicitations.

## **15. Custody**

PAIA does not have custody of client assets within the meaning of Rule 206(4)-2 of the Advisers Act.

## **16. Investment Discretion**

Unless otherwise directed by a client, PAIA generally manages separate account mandates on a discretionary basis providing continuous investment advice pursuant to an investment management agreement that describes the investment services to be provided. Consistent with the client investment objectives and subject to the client's Governing Documents, PAIA typically will have full investment decision making authority over the type of investments and brokerage for the client's accounts.

PAIA acts on behalf of each CLO portfolio on a discretionary basis, subject to the guidelines set forth in the indenture as administered by the independent trustee of the CLO administrator.

## **17. Voting Client Securities**

For separately managed account mandates, PAIA will not exercise voting authority with respect to client securities as established in the client's investment management agreement. Clients should receive their proxies and other solicitations directly from their custodian or transfer agent.

The CLO portfolios do not intend to invest in securities having voting rights.

## **18. Financial Information**

PAIA is not aware of any financial information or disclosures about its financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.