



## **Mellon Investments (UK) Limited**

**BNY Mellon Centre  
160 Queen Victoria Street  
London  
EC4V 4LA  
United Kingdom**

**Form ADV Part 2A  
(as of January 2, 2019)**

This Brochure provides information about the qualifications and business practices of Mellon Investments (UK) Limited. If you have any questions about the contents of this Brochure, please contact us by phone at 617-248-6000 or by email at [info@mellon.com](mailto:info@mellon.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.

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

## **Item 2. Summary of Material Changes**

On January 1, 2019, Standish Mellon Asset Management (UK) Limited was renamed Mellon Investments (UK) Limited (“Mellon (UK)”).

Mellon (UK)’s last annual update of its Brochure was on March 31, 2018. There have been no material changes to the Brochure since the last annual update.

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

Mellon Investments (UK) Limited (the “Firm” or “Mellon (UK)” or “We” or “Us”) is a dedicated fixed income manager that is organized under the laws of England and Wales as a corporation. Mellon (UK) is 100% owned by BNY Mellon International Asset Management Group Limited, which is a wholly-owned indirect subsidiary of The Bank of New York Mellon Corporation.

Mellon (UK) currently offers global fixed income strategies. We provide discretionary investment advisory services to institutional investors, and to affiliated investment advisers through sub-advisory agreements. Mellon (UK) is registered with the Securities and Exchange Commission as a registered investment adviser and with the Financial Conduct Authority in the United Kingdom. Registration does not imply a certain level of skill or training.

We offer investment advisory services tailored to meet clients’ investment goals. We work with clients to create investment guidelines mutually acceptable to the client and Mellon (UK). When creating investment guidelines, clients may impose investment restrictions in certain individual securities or types of securities. Clients who impose investment restrictions might limit our ability to employ the strategy, resulting in investment performance that differs from that of the composite and other client accounts. The strategies in which we may invest client assets and the fees we may receive for managing such strategies are described below.

As of December 31, 2018, we manage approximately \$231,721,292 on a discretionary basis.

#### **Item 5. Fees and Compensation**

##### **Separate Account Fees:**

We provide investment advisory separate account services for a fee. This fee is typically charged as a percentage of your assets under our management. While this fee is typically expressed as an annual percentage, it is calculated based on the market value of the account at month end, quarter end or based on an average and generally invoiced on a monthly or quarterly basis in arrears. The Firm will adjust management fees for significant cash flows during the billing period on a pro-rata basis.

We may from time to time enter into performance-based fee arrangements in accordance with the conditions and requirements of Section 205-3 of the Advisers Act. Such arrangements are negotiated with each client and, thus, the terms may vary. However, these arrangements typically provide for a fee based on the market value of the account (at a specified month end, quarter end or based on an average and invoiced on a monthly or quarterly basis in arrears), plus a performance fee based on the portfolio’s return for the relevant billing period. Some accounts have a benchmark and/or a hurdle rate and others are absolute return strategies.

Your investment advisory agreement may also provide that you will incur fees and expenses, in addition to our advisory fees, such as custody, brokerage and other transaction costs, administrative and other expenses. Examples of other costs and expenses may include markups, mark-downs and other amounts included in the price of a security, odd-lot differentials, transfer taxes, wire transfer fees and electronic fund fees. Please review your investment advisory

agreement for further information on how we charge and collect fees. Please see Item 12 of this Brochure for more information on our brokerage practices.

Collective Investment Funds: If consistent with a client's investment objective and subject to direction from the client, the Firm may invest client assets in the Bank's collective investment funds. Such accounts will indirectly bear the fees and expenses imposed by the Bank collective investment funds as an investor in such funds and, as a result, will bear higher expenses than if the account had invested directly in the securities held by the collective investment fund. Mellon (UK) employees may serve certain bank maintained collective funds in their capacity as dual officers of The Bank of New York Mellon (the "Bank").

Other Pooled Investment Vehicles: If allowed by investment guidelines, Mellon (UK) may invest the portfolio in pooled investment vehicles (including those advised or sub-advised by Mellon (UK) or an affiliate) that themselves bear advisory fees and operational expenses such as transfer agent, custody, audit, tax, brokerage and other transaction costs, administrative and other expenses. The portfolio will indirectly bear these fees and expenses as an investor in such pooled investment vehicles and, as a result, you will bear higher expenses than if the portfolio invested directly in the securities held by the pooled investment vehicle.

Advisory or Sub-Advisory Services: Mellon (UK) may serve as adviser or sub-adviser to several investment companies sponsored by parties affiliated or unaffiliated with Mellon (UK). Mellon (UK) will also serve as sub-adviser to its affiliate Mellon Investments Corporation ("Mellon") For the investment advisory services provided by Mellon (UK), these investment companies, or their investment advisers, as the case may be, pay compensation to Mellon (UK) based on a percentage of assets under management.

Minimum Fees: We may charge a minimum annual fee for our investment advisory services. The minimum annual fees are typically range from \$150,000 to \$175,000 for separately managed accounts. Minimum annual fees may be negotiated with clients and therefore may vary.

## Terminations

Agreements relating to the provision of services provided by the Firm generally are terminable at any time by either the client or us subject to a mutually acceptable period of notice, which is usually approximately 30 days. For a withdrawal or termination, the Firm considers the actual date of withdrawal of funds to be a fee-earning day. The Firm does not consider the date of receipt of Funds to be a fee-earning day except in the case of an initial funding on a new account. Market values are sourced from the Firm's internal accounting systems unless specifically directed otherwise by the client.

Fee Schedule: The fees charged by the Firm are provided below. These fees as described below reflect the highest tier of fees per annum on the standard fee schedule and are not charged on the basis of a share of capital gains upon or capital appreciation of the assets, or any portion of, the assets of the client. Accounts are generally billed quarterly in arrears; however, some separate account clients may pay fees quarterly in advance, based upon their form of contract. The fees associated with the investment strategies discussed in Item 8 of this Brochure are reflected below.

Strategy	Fee Range per Annum
Active Fixed Income	0.08 – 0.50%

The Firm reserves the right, in our sole discretion, to negotiate or modify (either up or down) the basic fee schedules set forth above for any client due to a variety of factors, including but not limited to: a client's special circumstances, asset levels, the level of reporting and administrative operations required to service an account, the investment strategy or style, the number of portfolios or accounts involved and/or the number and types of services provided to the client. Because our fees are negotiable, the actual fee paid by any client or group of clients may be different from the fees reflected in our basic fee schedules set forth above. For this same reason, the Firm may agree to offer certain clients a fee schedule that is lower than that of comparable clients in the same investment strategy. Additionally, the Firm may agree to aggregate the assets of related client accounts and such accounts may receive the benefit of a lower effective fee rate due to such aggregation. The Firm may also choose to waive all or a portion of the negotiated fee for a given period.

Clients generally will incur fees and expenses in addition to our advisory fees including, but not limited to, custodian, brokerage and other transaction costs. Examples of other costs and expenses charged by custodians and/or brokers may include odd-lot differentials, transfer taxes, wire transfer fees and electronic fund fees.

For portfolios subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the value of any client account holdings invested in affiliated mutual funds is excluded from the amount on which our separate account fees are computed. In cases where a client account is not subject to ERISA, and/or where client account holdings are invested in an affiliated vehicle not constituting a mutual fund, we may, subject to client contractual requirements and applicable law, calculate our separate account fee on the aggregate amount of the client's account. In certain instances where we have agreed to charge a flat fee for all assets under management, an adjustment may be made to the fee to take into account the holdings in affiliated mutual funds.

The Firm does not require clients to pay in advance; rather, clients are billed in arrears for fees incurred. In the event a client has paid fees in advance and terminates prior to the end of the billing period, we will refund the client the portion of the fee paid attributable to the period, from the date of termination to the end of such billing period. Our clients may select whether they would like the fees to be deducted automatically by their custodian from their custodial accounts or billed separately.

The Firm may from time to time enter into performance-based fee arrangements in accordance with the conditions and requirements of Rule 205-3 under the Advisers Act and, when applicable, certain state laws. While such arrangements are negotiated with each client and thus the terms vary, they typically provide for a base fee based on market value of the account at specified month/quarter ends plus a performance fee based on the portfolio return (generally a rolling one or three-year period) for the relevant billing period relative to a designated market or customized index return.

## **Item 6. Performance Fees and Side-by-Side Management**

Our performance based fee arrangements and our side-by-side management activities entail inherent conflicts that are described in this Item 6.

We may, from time to time, enter into performance-based fee arrangements with a limited number of clients. Generally, these arrangements provide for an asset based management fee, based on the market value of the portfolio at specified month or quarter ends, plus a performance fee based on the portfolio's net return in excess of a specified benchmark during a designated period of time. The performance-based fee element is based on the portfolio return relative to a market or index return. Performance-based fees are negotiated with each client and the terms may vary. For more detailed information on how performance fees are calculated, clients should refer to their investment advisory agreement.

"Side-by-side management" refers to our simultaneous management of multiple types of client accounts/investment products. Our clients have a variety of investment objectives, policies, strategies, limitations and restrictions. Our affiliates likewise manage a variety of separate accounts, managed accounts, and pooled investment vehicles.

Side-by-side management gives rise to a variety of potential and actual conflicts of interest for us, our employees and our supervised persons. Below we discuss the conflicts that we and our employees and supervised persons face when engaging in side-by-side management and how we deal with them. Note that some of our employees are also dual officers or employees of one or more of our affiliates ("dual officers"). These dual officers undertake investment management duties for the affiliates of which they are officers. Please see Item 10 for more information on our dual officer arrangements. When we and our affiliates concurrently manage client accounts/investment products, and particularly when dual officers are involved, this presents the same conflicts as described below.

Note that we manage our accounts consistent with applicable law, and we follow procedures that are reasonably designed to treat our clients fairly and to prevent any client or group of clients from being systematically favored or disadvantaged. For example, we have Trade Allocation Policies and Procedures which are designed and implemented to ensure that all clients are treated fairly and equally, and to prevent these conflicts from influencing the allocation of investment opportunities among clients. Please see Item 12 for an explanation of our Trade Allocation Policies and Procedures.

### **Conflicts of Interest Relating to Performance Based Fees When Engaging in Side-by-Side Management**

We may manage a limited number of accounts that are charged a performance-based fee and other accounts that are charged a different type of fee, such as a flat asset-based fee. We have a financial incentive to favor accounts with performance-based fees because we (and our employees and supervised persons) may have an opportunity to earn greater fees on such accounts as compared to client accounts without performance-based fees. Thus, we have an incentive to direct our best investment ideas to client accounts that pay performance-based fees, and to allocate, aggregate or sequence trades in favor of such accounts. We also have an

incentive to give accounts with performance-based fees better execution and better brokerage commissions. Please see Item 12 for an explanation of our Trade Allocation Policies and Procedures.

### **Conflicts of Interest Relating to Accounts with Different Strategies**

We and our affiliates manage numerous accounts with a variety of strategies, which may present conflicts of interest. For example, a long/short position in two client accounts simultaneously can result in a loss to one client based on a decision to take a gain in the other. Taking concurrent conflicting positions in certain derivative instruments can likewise cause a loss to one client and a gain to another. We also may face conflicts of interest when we have uncovered option strategies and significant positions in illiquid securities in side-by-side accounts. Please see Item 12 for an explanation of our Trade Allocation Policies and Procedures.

### **Conflicts of Interest Relating to the Management of Multiple Client Accounts**

We and our affiliates perform investment advisory services for various clients. We may give advice and take action in the performance of our duties with respect to any one client which may differ from the advice given, or the timing or nature of action taken, with respect to another client. We have no obligation to purchase or sell for a client any security or other property which we purchase or sell for our own account or for the account of any other client, if it is undesirable or impractical to take such action. We may give advice or take action in the performance of our duties with respect to any one client which may differ from the advice given, or the timing or nature of action taken by our affiliates on behalf of their respective clients.

### **Conflicts of Interest Relating to Investment in Affiliated Accounts**

To the extent permissible under applicable law (including compliance with any applicable ERISA prohibited transaction exemptions), and where allowed by client guidelines, we may invest client accounts in mutual funds advised or managed by a BNY Mellon Corp. affiliate. We have an incentive to allocate investments to these types of affiliated accounts in order to generate additional fees for us or our affiliates.

Mellon (UK) may also, in appropriate circumstances and consistent with the client's investment objectives and applicable law, recommend to clients investment products in which it or a related party has a financial interest. Specifically, Mellon (UK) may suggest participation in a collective fund maintained by The Bank of New York Mellon, an affiliated party to Mellon (UK). Such commingled funds are managed by Mellon (UK)'s personnel in their capacity as dual officers of The Bank of New York Mellon.

### **Other Conflicts of Interest**

As noted previously, we and our affiliates manage numerous accounts with a variety of interests. This necessarily creates potential conflicts of interest for us. For example, we or an affiliate may cause multiple accounts to invest in the same investment. Such accounts may have conflicting interests and objectives in connection with such investment, including differing views on the operations or activities of the portfolio company, the targeted returns for the transaction and the timeframe for and method of exiting the investment. Conflicts may also arise in cases where



multiple Mellon and/or affiliate client accounts are invested in different parts of an issuer's capital structure. For example, one of our client accounts could acquire debt obligations of a company while an affiliate's client account acquires an equity investment. In negotiating the terms and conditions of any such investments, we may find that the interests of the debt-holding client accounts and the equity holding client accounts may conflict. If that issuer encounters financial problems, decisions over the terms of the workout could raise conflicts of interest (including, for example, conflicts over proposed waivers and amendments to debt covenants). For example, debt holding accounts may be better served by a liquidation of an issuer in which it could be paid in full, while equity holding accounts might prefer a reorganization of the issuer that would have the potential to retain value for the equity holders. As another example, holders of an issuer's senior securities may be able to act to direct cash flows away from junior security holders, and both the junior and senior security holders may be Mellon client accounts. As we become aware of any of the foregoing conflicts of interest they will be discussed and resolved on a case-by-case basis. Any such discussions will factor in the interests of the relevant parties and applicable laws. Please see Item 12 for an explanation of our Trade Allocation Policies and Procedures.

### **Item 7. Types of Clients**

We provide advisory services to institutional investors, and to affiliated investment advisers through sub-advisory agreements.

#### **Account Requirements:**

The Firm generally requires clients to execute a written investment management agreement with us, granting us authority to manage their assets. However, as discussed in Item 4 of this Brochure, retention of our investment advisory services may be obtained through various vehicles and arrangements. Please see Item 5 of this Brochure for more information on how we charge fees.

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

Mellon (UK)'s investment process combines top-down, macroeconomic analysis with proprietary, fundamental bottom-up research to identify attractive sectors and securities. Our top-down approach includes macroeconomic research to assess the overall risk environment and determine broad portfolio themes, industry emphasis, and overall portfolio quality.

Our portfolio construction process begins with a thorough and detailed understanding of each client's specific investment objectives, risk tolerance, and benchmark expectation. Our investment approach is characterized by the following: management of client-specific requirements such as low volatility, liquidity and specific duration targets, a disciplined team structure designed to facilitate inclusion of "best ideas" into the decision-making process through the interaction of investment professionals, top-down quantitative and macroeconomic analysis to guide sector and industry allocation and yield curve positioning, and fundamental analysis to identify individual issues that we believe offer attractive liquidity and return potential.

## **Investment Strategies**

Mellon (UK)'s investment strategies use both quantitative and fundamental methods to search for value while employing rigorous risk management and a broad opportunity set.

**Multi Sector: U.S. Core/Core Plus, Global Core/Global Core Plus, Opportunistic** strategies seek to add alpha through active management, which may include decisions with respect to security selection, sector allocation and interest rate positioning. The investment universe for U.S. Core/Core Plus mandates generally includes corporate bonds, mortgage/asset-backed securities, Treasuries/TIPS, and non-U.S. fixed income securities. The investment universe for Global Core/Core Plus and Opportunistic mandates generally includes U.S. and non-U.S. corporate bonds, mortgage/asset-backed securities, Treasuries/TIPS, U.S. and non-U.S. government bonds. In the case of 'Plus' portfolios, high yield and emerging market debt as well. The strategies employ various fixed income derivatives including futures, options, swaps and forward contracts. Our global/international strategies take advantage not only of sovereign debt, but the increasingly robust global corporate bond market, utilizing our special expertise in corporate bond analysis. Strategies may be structured on a hedged or unhedged basis into any currency.

## **Cash Management**

Most of our strategies will be fully invested the majority of the time but will use cash for tactical or strategic purposes. We may hold some cash balances due to cash flows or limited availability of securities due to market conditions rather than tactical judgments. We will also from time to time hold cash balances as a means of reducing risk in portfolios. We manage cash conservatively and excess cash is typically invested in short-dated US Treasury bills or remains in the appropriate client selected cash sweep vehicle.

## **Investment Risks**

### **Summary of Material Risks**

Each investment strategy offered by the Firm invests in a variety of securities, derivatives and/or other assets and employs a number of investment techniques that involve certain risks. Investing in securities and derivatives involves risk of loss that you should be prepared to bear.

The risks set forth below represent a general summary of the material risks involved in the investment strategies we offer. We define material risks as risks associated with any type of investment that would account for 5% or more of the overall investment strategy. If applicable, please refer to the "risk factors" section in the offering documents or prospectus for a more detailed discussion of the risks involved in an investment in a fund. Not all material risks will be applicable to each strategy.

**Asian emerging market risk.** Many Asian economies are characterized by over-extension of credit, frequent currency fluctuations, devaluations and restrictions, rising unemployment, rapid fluctuations in inflation, reliance on exports and less efficient markets. Currency devaluation in one Asian country can have a significant effect on the entire region. The legal systems in many Asian countries are still developing, making it more difficult to obtain and/or enforce judgments.

Furthermore, increased political and social unrest in some Asian countries could cause economic and market uncertainty throughout the region. The auditing and reporting standards in some Asian emerging market countries may not provide the same degree of shareholder/investor protection or information to investors as those in developed countries. In particular, valuation of assets, depreciation, exchange differences, deferred taxation, contingent liability and consolidation may be treated differently than under the auditing and reporting standards of developed countries.

**Asset-backed securities risk.** General downturns in the economy could cause the value of asset-backed securities to fall. In addition, asset-backed securities present certain risks that are not presented by mortgage-backed securities. Primarily, these securities may provide a strategy with a less effective security interest in the related collateral than do mortgage-backed securities. Therefore, there is the possibility that recoveries on the underlying collateral may not, in some cases, be available to support payments on these securities.

**Banking industry risk.** The risks generally associated with concentrating investments in the banking industry, such as interest rate risk, credit risk and regulatory developments relating to the banking industry.

**Call risk.** Some bonds give the issuer the option to call, or redeem, the bonds before their maturity date. If an issuer “calls” its bond during a time of declining interest rates, the strategy might have to reinvest the proceeds in an investment offering a lower yield, and therefore might not benefit from any increase in value as a result of declining interest rates. During periods of market illiquidity or rising interest rates, prices of “callable” issues are subject to increased price fluctuation.

**Convertible securities risk.** Convertible securities may be converted at either a stated price or stated rate into underlying shares of common stock. Convertible securities generally are subordinated to other similar but non-convertible securities of the same issuer. Although to a lesser extent than with fixed-income securities, the market values of convertible securities tend to decline as interest rates increase. In addition, because of the conversion feature, the market values of convertible securities tend to vary with fluctuations in the market value of the underlying common stock. Although convertible securities are designed to provide for a stable stream of income, they are subject to the risk that their issuers may default on their obligations. Convertible securities also offer the potential for capital appreciation through the conversion feature, although there can be no assurance of capital appreciation because securities prices fluctuate. Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality because of the potential for capital appreciation. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible securities’ governing instrument. If a convertible security held by an account is called for redemption, the account will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the ability to achieve an account’s investment objective. Convertible securities may be converted at either a stated price or stated rate into underlying shares of common stock. Convertible securities generally are subordinated to other similar but non-convertible securities of the same issuer. Although to a lesser extent than with fixed-income securities, the market values of convertible securities tend to decline as interest rates increase. In

addition, because of the conversion feature, the market values of convertible securities tend to vary with fluctuations in the market value of the underlying common stock. Although convertible securities are designed to provide for a stable stream of income, they are subject to the risk that their issuers may default on their obligations. Convertible securities also offer the potential for capital appreciation through the conversion feature, although there can be no assurance of capital appreciation because securities prices fluctuate. Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality because of the potential for capital appreciation. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible securities' governing instrument. If a convertible security held by an account is called for redemption, the account will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the ability to achieve an account's investment objective.

**Counterparty risk.** Under certain conditions, a counterparty to a transaction, including repurchase agreements and derivative instruments, could fail to honor the terms of the agreement, default and the market for certain securities or financial instruments in which the counterparty deals may become illiquid.

**Country, industry and market sector allocation risk.** A strategy may be overweighted or underweighted, relative to the benchmark index, in companies in certain countries, industries or market sectors, which may cause the strategy's performance to be more or less sensitive to positive or negative developments affecting these countries, industries or sectors. In addition, a strategy may, from time to time, invest a significant portion (more than 25%) of its total assets in securities of companies located in particular countries, such as the United Kingdom and Japan, depending on such country's representation within the benchmark index.

**Credit Default Swaps ("CDS").** The "buyer" in a credit default contract is obligated to pay the "seller" a periodic stream of payments over the term of the contract provided that no event of default on an underlying obligation has occurred. If a "credit event" occurs, the seller must pay the buyer the full notional value, or "par value," of the obligation. CDS transactions are either "physical-settled" or "cash-settled." Physical settlement entails the actual delivery by the buyer of the reference asset to the seller in exchange for the payment of the full par value of the reference asset. Cash settled entails a net cash payment from the seller to the buyer based on the difference of the par value of the reference asset and the current market value of the reference asset. The portfolio may be either the buyer or seller in a CDS transaction. CDS can be used to address the perception of the client that a particular credit, or group of credits, may experience credit improvement or deterioration. In the case of expected credit improvement, the portfolio may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the portfolio to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The portfolio may also buy credit default protection with respect to a reference entity if there is a high likelihood of perceived credit deterioration or for risk management purposes. In such instance, the portfolio will pay a premium regardless of whether there is a credit event. If the portfolio is a buyer and no credit event occurs, the portfolio will have made a series of periodic payments and recover nothing of monetary value. However, if a credit event occurs, the portfolio (if the buyer) will receive the full notional value of the reference obligation either through a cash or physical

settlement. As a seller, the portfolio receives a fixed rate of income throughout the term of the contract, which typically is between six months and five years (but may be longer), provided that there is no credit event. CDS transactions may involve greater risks than if the portfolio had invested in the reference obligation directly. The CDS market in high yield securities is comparatively new and rapidly evolving compared to the CDS market for more seasoned and liquid investment-grade securities, creating the risk that the newer markets will be less liquid and it may be difficult to exit or enter into a particular transaction.

**Credit Linked Note (“CLN”).** We may purchase CLNs from time to time when we are unable to access certain markets. CLNs are created through a Special Purpose Vehicle (SPV) which owns the reference obligation and issues a security with the same attributes as the underlying security. CLNs are over the counter securities negotiated with a dealer. In the event the counterparty defaults, the security could become illiquid or suffer significant price depreciation or loss of principal as the CLN is a fully funded privately negotiated transaction. In the transaction, the dealer becomes the issuer and determines whether or not a risk event has occurred. Risk events can vary by dealer but are generally focused on credit events or settlement events. A credit event is generally triggered when the reference entity fails to pay or restructures its debt. Settlement events are generally triggered when changes in local laws or local market events prohibit the issuer from transacting in the reference security or currency. Following the determination of a risk event, the maturity date could be accelerated and the issuer will return value that is obtained from the highest bid in the payment currency. Under these circumstances, the value returned to holders could be zero.

**Credit risk.** Failure of an issuer to make timely interest or principal payments, or a decline or perception of a decline in the credit quality of a bond can cause a bond’s price to fall, lowering the value of a strategy’s investment in such security. The lower a security’s credit rating, the greater the chance that the issuer of the security will default or fail to meet its payment obligation. See also “High yield bond risk.”

**Cybersecurity risk.** In addition to the risks described that primarily relate to the value of investments, there are various operational, systems, information security and related risks involved in investing, including but not limited to “cybersecurity” risk. Cybersecurity attacks include electronic and non-electronic attacks that include but are not limited to gaining unauthorized access to digital systems to obtain client and financial information, compromising the integrity of systems and client data (e.g., misappropriation of assets or sensitive information), or causing operational disruption through taking systems off-line (e.g., denial of service attacks). As the use of technology has become more prevalent, we and the client accounts we manage have become potentially more susceptible to operational risks through cybersecurity attacks. These attacks in turn could cause us and client accounts (including funds) we manage to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures and/or financial loss. Similar adverse consequences could result from cybersecurity incidents affecting issuers of securities in which we invest, counterparties with which we engage in transactions, third-party service providers (e.g., a client account’s custodian), governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers and other financial institutions and other parties. While cybersecurity risk management systems and business continuity plans have been developed and are designed to reduce the risks associated with these attacks, there are inherent limitations in any cybersecurity risk management

system or business continuity plan, including the possibility that certain risks have not been identified. Accordingly, there is no guarantee that such efforts will succeed, especially since we do not directly control the cybersecurity systems of issuers or third-party service providers.

**Derivatives risk.** A small investment in derivatives could have a potentially large impact on a strategy's performance. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value and there is the risk that changes in the value of a derivative held by the strategy will not correlate with the underlying instruments or the strategy's other investments. Derivative instruments also involve the risk that a loss may be sustained as a result of the failure of the counterparty to the derivative instruments to make required payments or otherwise comply with the derivative instruments' terms. Certain types of derivatives involve greater risks than the underlying obligations because, in addition to general market risks, they are subject to illiquidity risk, counterparty risk and credit risk. Additionally, some derivatives involve economic leverage, which could increase the volatility of these investments as they may fluctuate in value more than the underlying instrument. See also "Leverage risk."

**Emerging market risk.** Emerging markets tend to be more volatile and less liquid than the markets of more mature economies and generally have less diverse and less mature economic structures and less stable political systems than those of developed countries. The securities of issuers located or doing substantial business in emerging markets are often subject to rapid and large changes in price. In particular, emerging markets may have relatively unstable governments, present the risk of sudden adverse government or regulatory action and even nationalization of businesses, have restrictions on foreign ownership or prohibitions on repatriation of assets and impose less protection of property rights than more developed countries. The economies of emerging market countries may be based predominantly on only a few industries and may be highly vulnerable to changes in local or global trade conditions and may suffer from extreme debt burdens or volatile inflation rates. Local securities markets may trade a small number of securities and may be unable to respond effectively to increases in trading volume, potentially making prompt liquidation of substantial holdings difficult. Transaction settlement and dividend collection procedures also may be less reliable in emerging markets than in developed markets. The fixed income securities of issuers located in emerging markets can be more volatile and less liquid than those of issuers in more mature economies. In addition, such securities often are considered to be below investment grade credit quality and predominantly speculative.

**Fixed income market risk.** The market value of a fixed-income security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates, or adverse investor sentiment generally. The fixed-income securities market can be susceptible to increases in volatility and decreases in liquidity. Liquidity can decline unpredictably in response to overall economic conditions or credit tightening. Increases in volatility and decreases in liquidity may be caused by a rise in interest rates (or the expectation of a rise in interest rates), which are at or near historic lows in the United States and in other countries. An unexpected increase in strategy redemption requests, which may be triggered by market turmoil or an increase in interest rates, could cause the strategy to sell its holdings at a

loss or at undesirable prices and adversely affect the strategy's performance and increase the strategy's liquidity risk, expenses and/or taxable distributions.

**Foreign Currency Options.** We may take positions in options on foreign currencies for investment purposes or to hedge against the risk that foreign exchange rate fluctuations will affect the value of foreign securities such portfolios hold or intend to purchase. Transaction costs may be higher because the quantities of currencies underlying option contracts that such portfolios may enter represent odd lots in a market dominated by transactions between banks. There is no systematic reporting of last sale information for foreign currencies or any regulatory requirement that quotations be firm or revised on a timely basis. Quotation information is generally representative of very large transactions in the interbank market and may not reflect smaller transactions where rates may be less favorable. Option markets may be closed while round-the-clock interbank currency markets are open and this can create price and rate discrepancies.

**Foreign currency risk.** Investments in foreign currencies are subject to the risk that those currencies will decline in value relative to the U.S. dollar, or in the case of hedged positions, that the U.S. dollar will decline relative to the currency being hedged. Currency exchange rates may fluctuate significantly over short periods of time. A decline in the value of foreign currencies relative to the U.S. dollar will reduce the value of securities held by the strategy and denominated in those currencies. Foreign currencies are also subject to risks caused by inflation, interest rates, budget deficits and low savings rates, political factors and government controls.

**Foreign government obligations and securities of supranational entities risk.** Investing in foreign government obligations and the sovereign debt of emerging market countries creates exposure to the direct or indirect consequences of political, social or economic changes in the countries that issue the securities or in which the issuers are located. Factors which may influence the ability or willingness of a foreign government or country to service debt include a country's cash flow situation, the availability of sufficient foreign exchange on the date a payment is due, the relative size of its debt service burden to the economy as a whole and its government's policy towards the International Monetary Fund, the International Bank for Reconstruction and Development and other international agencies. Other factors include the obligor's balance of payments, including export performance, its access to international credit and investments, fluctuations in interest rates and the extent of its foreign reserves. A governmental obligor may default on its obligations. These risks are heightened with respect to emerging market countries.

**Foreign investment risk.** Special risks associated with investments in foreign companies include exposure to currency fluctuations, less liquidity, less developed or less efficient trading markets, lack of comprehensive company information, political or economic instability, seizure or nationalization of assets, imposition of taxes or repatriation restrictions and differing auditing and legal standards. The securities of issuers located in emerging markets can be more volatile and less liquid than those of issuers in more mature economies.

**Futures contracts risk.** Futures contracts generally provide a high degree of liquidity and a low level of counterparty performance and settlement risk. While the use of futures contracts by a portfolio can amplify a gain, it can also amplify a loss. This loss can be substantially more

money than the initial margin posted by the portfolio pursuant to the contracts. There is no assurance of market liquidity for futures contracts, whether traded on an exchange or in the over-the-counter market and, as a result, there may be times where a portfolio would not be able to close a future investment position when it wanted to do so. Upon entering into a futures transaction, a portfolio will generally be required to deposit an initial margin payment with the futures commission merchant (the “futures broker”). The initial margin payment will be deposited with a portfolio’s custodian in an account registered in the futures broker’s name; however, the futures broker can gain access to that account only under specified conditions. As the future is marked-to-market to reflect changes in its market value, subsequent margin payments, called variation margin, will be paid to or by the futures broker on a daily basis. Prior to expiration of the future, if a portfolio elects to close out its position by taking an opposite position, a final determination of variation margin is made, additional cash is required to be paid by or released to the portfolio and any loss or gain is realized for tax purposes. Position limits also apply to futures traded on an exchange. An exchange may order the liquidation of positions found to be in violation of those limits and may impose certain other sanctions. Initial margin is posted to a collateral pool which may be used to cover third-party liabilities in an event of default by a clearing broker or a major clearing broker’s client.

**Government securities risk.** Not all obligations of the U.S. government’s agencies and instrumentalities are backed by the full faith and credit of the U.S. Treasury. Some obligations are backed only by the credit of the issuing agency or instrumentality and in some cases there may be some risk of default by the issuer. Any guarantee by the U.S. government or its agencies or instrumentalities of a security held by the strategy does not apply to the market value of such security. A security backed by the U.S. Treasury or the full faith and credit of the United States is guaranteed only as to the timely payment of interest and principal when held to maturity. In addition, because many types of U.S. government securities trade actively outside the United States, their prices may rise and fall as changes in global economic conditions affect the demand for these securities. No assurance can be given that the U.S. government will provide financial support to its agencies and instrumentalities, since it is not obligated to do so by law.

**High yield bond risk.** High yield (“junk”) bonds involve greater credit risk, including the risk of default, than investment grade bonds and are considered predominantly speculative with respect to the issuer’s ability to make principal and interest payments. The prices of high yield bonds can fall dramatically in response to bad news about the issuer or its industry, or the economy in general.

**Inflation-indexed security risk.** Interest payments on inflation-indexed securities can be unpredictable and will vary as the principal and/or interest is periodically adjusted based on the rate of inflation. If the index measuring inflation falls, the interest payable on these securities will be reduced. The U.S. Treasury has guaranteed that in the event of a drop in prices, it would repay the par amount of its inflation-indexed securities. Inflation-indexed securities issued by corporations generally do not guarantee repayment of principal. Any increase in the principal amount of an inflation-indexed security will be considered taxable ordinary income, even though investors do not receive their principal until maturity. As a result, the strategy may be required to make annual distributions that exceed the cash the strategy received, which may cause the strategy to liquidate certain investments when it is not advantageous to do so. Also, if the



principal value of an inflation-indexed security is adjusted downward due to deflation, amounts previously distributed may be characterized in some circumstances as a return of capital.

**Interest rate risk.** Prices of debt securities tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect the prices of these securities and, accordingly, the value of your investment. The longer the effective maturity and duration of the strategy's portfolio, the more the value of your investment is likely to react to interest rates. Mortgage-related securities can have a different interest rate sensitivity than other bonds, however, because of prepayments and other factors, they may carry additional risks and be more volatile than other types of debt securities due to unexpected changes in interest rates.

**Issuer risk.** The value of a security may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's products or services.

**Leverage risk.** The use of leverage, such as engaging in reverse repurchase agreements, lending portfolio securities, entering into futures contracts or forward currency contracts, investing in inverse floaters, entering into short sales, the use of portfolio leverage or margin and engaging in forward commitment transactions, may magnify a strategy's gains or losses. Because many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, reference rate or index can result in a loss substantially greater than the amount invested in the derivative itself. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment.

**Liquidity risk.** When there is little or no active trading market for specific types of securities, it can become more difficult to sell the securities at or near their perceived value. In such a market, the value of such securities and the value of your investment may fall dramatically, even during periods of declining interest rates. Liquidity risk also exists when a particular derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price. The secondary market for certain municipal bonds tends to be less well developed or liquid than many other securities markets, which may adversely affect the strategy's ability to sell such municipal bonds at attractive prices. Trading limits (such as "daily price fluctuation limits" or "speculative position limits") on futures trading imposed by regulators and exchanges could prevent the prompt liquidation of unfavorable futures positions and result in substantial losses. In addition, the ability to execute futures contract trades at favorable prices if trading volume in such contracts is low may be limited. It is also possible that an exchange or a regulator may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. Therefore, in some cases, the execution of trades to invest or divest cash flows may be postponed which could adversely affect the withdrawal of assets and/or performance.

**Market and credit risk.** Ginnie Maes and other securities backed by the full faith and credit of the United States are guaranteed only as to the timely payment of interest and principal when held to maturity. The market prices for such securities are not guaranteed and will fluctuate. Privately issued mortgage-related securities also are subject to credit risks associated with the

underlying mortgage properties. These securities may be more volatile and less liquid than more traditional, government-backed debt securities.

**Market risk.** The market value of a security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. A security's market value also may decline because of factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry.

**Non-diversification risk.** A non-diversified strategy may invest a relatively high percentage of its assets in a limited number of issuers. Therefore, the strategy's performance may be more vulnerable to changes in the market value of a single issuer or group of issuers and more susceptible to risks associated with a single economic, political or regulatory occurrence than a diversified strategy.

**Options risk.** Options positions may include both long positions, where a portfolio is the holder of put or call options, as well as short positions, where a portfolio is the seller (writer) of an option. Option techniques can involve a relatively higher level of risk. The expiration of unexercised long options effectively results in loss of the entire cost, or premium paid, for the option. Conversely, the writing of an uncovered put or call option can involve, similar to short-selling, a theoretically unlimited risk of an increase in a portfolio's cost of selling or purchasing the underlying securities in the event of exercise of the option.

**Prepayment and extension risk.** When interest rates fall, the principal on mortgage-backed and certain asset-backed securities may be prepaid. The loss of higher yielding underlying mortgages and the reinvestment of proceeds at lower interest rates can reduce the strategy's potential price gain in response to falling interest rates, reducing the value of your investment. When interest rates rise, the effective duration of the strategy's mortgage-related and other asset-backed securities may lengthen due to a drop in prepayments of the underlying mortgages or other assets. This is known as extension risk and would increase the strategy's sensitivity to rising interest rates and its potential for price declines.

**Swap Agreements.** These transactions are entered into in an attempt to obtain a particular return when it is considered desirable to do so, possibly at a lower cost to a portfolio than if the portfolio had invested directly in an instrument that yielded that desired return. Swap agreements are two party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than one year. In a standard "swap" transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments, which may be adjusted for an interest factor. The gross returns to be exchanged or "swapped" between the parties are generally calculated with respect to a "notional amount," i.e., the return on or increase in value of a particular dollar amount invested at a particular interest rate, in a particular foreign currency or in a "basket" of securities representing a particular index. Forms of swap agreements include interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or "cap"; interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest

rates fall below a specified rate, or “floor”; and interest rate collars, under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels. A swap option is a contract that gives a counterparty the right (but not the obligation) to enter into a new swap agreement or to shorten, extend, cancel or otherwise modify an existing swap agreement, at some designated future time on specified terms.

**Trading Limitations.** For all securities, including options, listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances. These suspensions or limits could render certain strategies difficult to execute or continue and subject a portfolio to loss.

**General Risks.** Each investment strategy we offer invests in a variety of securities and derivatives and employs a number of investment techniques that involve certain risks. Investments involve risk of loss that clients (and investors in our funds) should be prepared to bear. We do not guarantee or represent that our investment program will be successful. Our past results are not necessarily indicative of our future performance and our investment results may vary over time. We cannot assure you that our investment decisions will be profitable and, in fact, you could incur substantial losses. Your investments with us are not a bank deposit and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

We rely on data provided by third-party vendors as part of processes involved in providing investment advisory services to our clients. These processes include, but are not limited to: index creation, pricing and valuation of securities, managing client restriction or exclusion lists, processing corporate actions and collateral management. We do not take responsibility for any errors that result from inaccurate and/or untimely data provided by third-party vendors. Moreover, there may be time lags associated with inputting or implementing vendor data that may impact certain processes and thereby impact our advisory services and/or your investments. For example, an account may be temporarily invested in a newly restricted security until updated restricted securities data is received and implemented.

Please refer to the applicable disclosure and offering documents for further information.

## **Errors**

In executing on the above investment strategies and in light of the above investment risks, the Firm’s operations are inherently complex and errors will happen on occasion, including with respect to investment decisions, portfolio construction and trade execution and reconciliation.

The Firm’s goal is to avoid errors by taking preventive measures. However, when errors do occur, after the errors have been corrected, the Firm’s practice is to examine its procedures and if necessary, implement revisions to limit the likelihood of recurrence.

The Firm is generally responsible for its own errors and not the errors of other persons, including but not limited to third party brokers and custodians, unless otherwise expressly agreed to by the Firm. The Firm, in its sole discretion, may assist, to the extent possible, with the appropriate correction of errors committed by third parties.

The Firm takes an active role in all error corrections and requires that all errors must be promptly corrected. The Firm's policy is that we may not use other client accounts, a client's brokerage account or any proprietary account of the Firm or of its affiliates to correct an error. In addition, the Firm requires that no client be disadvantaged as the result of an error we have caused.

Pursuant to our error policy, clients generally retain any gain associated with an error caused by the Firm and the Firm will offer to reimburse clients for any losses resulting from an error caused by the Firm.

If it is determined that the Firm has made an error in a client's account, we will typically offer to compensate the client for the direct monetary losses (if any) the error caused in the client's account. Unless prohibited by applicable law or a specific agreement with the client, we may net gains and losses from the error or a series of related errors with the same root cause and offer to compensate the client for the net loss.

We typically notify clients as soon as practical of any errors that result in a material loss in the client's account. However, we generally do not notify clients about an event when we have determined that it does not constitute a compensable error.

#### **Item 9. Disciplinary Information**

Registered investment advisers are required in this item to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Firm or the integrity of our management.

From time to time, we and/or the Bank or other affiliates of the Firm may be involved in regulatory examinations or litigation that arise in the ordinary course of our business. At this time we are not aware of any regulatory matters or litigation that we believe would be material to an evaluation of our advisory business or integrity of our management.

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

##### **BNY Mellon Corp. is a Global Financial Services Company:**

BNY Mellon Corp. is a global financial services company providing a comprehensive array of financial services (including asset management, wealth management, asset servicing, clearing and execution services, issuer services and treasury services) through a world-wide client focused team that enables institutions and individuals to manage and service their financial assets. BNY Mellon Investment Management is the umbrella designation for BNY Mellon Corp.'s affiliated investment management firms, wealth management business and global distribution companies and is responsible, through various subsidiaries, for U.S. and non-U.S. retail, intermediary and institutional distribution of investment management and related services.

Our services are sometimes offered under the umbrella designation "BNY Mellon." In such cases, BNY Mellon is used to describe the range of investment products and services available from the affiliates of BNY Mellon Corp. Our services are also sometimes offered under the umbrella designations BNY Mellon Investment Management ("BNY Mellon IM") and BNY Mellon Investment Management EMEA Limited ("BNY Mellon EMEA"). BNY Mellon IM is

used to describe the array of investment management services available to both U.S. and non-U.S. investors from the affiliates of BNY Mellon Corp. BNY Mellon EMEA is used to describe the array of investment management services available from the affiliates of BNY Mellon Corp. to investors outside the U.S.

Mellon (UK) may enter into transactions with unaffiliated counterparties or third party service providers who then use Mellon (UK)'s affiliates to effect or complete such transactions. Services provided by our affiliates to such unaffiliated counterparties, third party service providers and/or issuers may include, for example, execution and clearance of trades, purchases or sales of securities, serving as depositary bank to issuers of ADRs, providing foreign exchange services in connection with dividends and other distributions from foreign issuers to owners of ADRs, issuance or cancellation of depositary receipts, foreign exchange or other services not contemplated by Mellon (UK). Although one of our affiliates may receive compensation for engaging in these transactions and/or providing these services, the decision to use or not to use Mellon (UK)'s affiliate is made by the unaffiliated counterparty or third party service provider or issuer. Further, Mellon (UK) often is unaware that the affiliate is being used to enter into such transaction or service.

BNY Mellon Corp. and/or its other affiliates may gather data from us about our business operations, including information about holdings within client portfolios, which is required for regulatory filings to be made by us or BNY Mellon Corp. or other affiliates (e.g., reporting beneficial ownership of equity securities) or for other compliance, financial, legal or risk management purposes, pursuant to policies and procedures of Mellon (UK), the Bank or other affiliates. This data is deemed confidential and procedures are followed to ensure that any information is utilized solely for the purposes intended.

### **BNY Mellon Corp.'s Status as a Bank Holding Company**

BNY Mellon Corp. and its direct and indirect subsidiaries, including Mellon (UK) are subject to certain U.S. banking laws, including the Bank Holding Company Act of 1956, as amended (the "BHCA"), and to regulation and supervision by the Board of Governors of the Federal Reserve System (the "Federal Reserve"), and to the provisions of, and regulations under, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The BHCA and the Dodd-Frank Act (and other applicable banking laws, and their interpretation and administration by the appropriate regulatory agencies, including but not limited to the Federal Reserve) may restrict the transactions and relationships among BNY Mellon Corp., its affiliates (including us) and our clients, and may restrict our investments, transactions and operations. For example, the BHCA regulations applicable to BNY Mellon Corp. and us may, among other things, restrict our ability to make certain investments or the size of certain investments, impose a maximum holding period on some or all of our investments, and restrict our ability to participate in the management and operations of the companies in which we invest. In addition, certain BHCA regulations may require aggregation of the positions owned, held or controlled by related entities. Thus, in certain circumstances, positions held by BNY Mellon Corp. and its affiliates (including us) for client and proprietary accounts may need to be aggregated and may be subject to a limitation on the amount of a position that may be held. These limitations may have an adverse effect on Mellon (UK)'s ability to manage client investment portfolios. For example, depending on the percentage of a company that Mellon (UK) and our affiliates (in the aggregate)

control at any given time, the limits may (1) restrict Mellon (UK)'s ability to invest in that company for certain clients and/or (2) require Mellon (UK) to sell certain client holdings of that company at a time when it may be undesirable to take such action. Additionally, BNY Mellon Corp. may in the future, in its sole discretion and without notice, engage in activities impacting us in order to comply with the BHCA, Dodd-Frank Act or other legal requirements applicable to (or reduce or eliminate the impact or applicability of any bank regulatory or other restrictions on) us and accounts managed by us and our affiliates.

### **The Volcker Rule**

The Dodd-Frank Act includes provisions that have become known as the "Volcker Rule," which restrict bank holding companies, such as BNY Mellon Corp. and its subsidiaries (including Mellon UK) from (i) sponsoring or investing in a private equity fund, hedge fund or otherwise "covered fund", with the exception, in some instances, of maintaining a de minimis investment, subject to certain other conditions and/or exceptions, (ii) engaging in proprietary trading, and (iii) entering into certain transactions involving conflicts of interest (e.g., extensions of credit). The final Volcker Rule was jointly adopted by a group of U.S. federal financial regulators in December 2013 and generally was required to be implemented by BNY Mellon Corp. no later than July 21, 2017.

The Volcker Rule generally prohibits certain transactions involving an extension of credit between BNY Mellon Corp. and its affiliates, on the one hand, and "covered funds" managed by BNY Mellon Corp. and/or its affiliates (including Mellon) on the other hand. BNY Mellon Corp. subsidiaries and/or affiliates provide securities clearance and settlement services to broker-dealers on a global basis. The operational mechanics of the securities clearance and settlement process can result in an unintended intraday extension of credit between the securities clearance firm and a "covered fund." As a result, we may be restricted in executing transactions for certain funds through broker-dealers that utilize a BNY Mellon Corp. affiliate as their securities clearance firm. Such restriction could prevent us from executing transactions through broker-dealers we would otherwise use in fulfilling our duty to seek best execution.

### **Affiliated Placement Agents**

We have affiliated "placement agents," including BNY Mellon Investment Management EMEA Limited, who solicit persons to invest in our separate account products and may also provide other administrative services. Mellon (UK), or our affiliates, pay any applicable commissions and fees out of our profits, and these payments do not increase the fees paid by our investors. These financial incentives may cause the placement agents and their employees and/or salespersons to steer investors toward those investment products that will generate higher commissions and fees. Please see Item 14 for more information on the compensation arrangements related to client referrals.

### **Affiliated Service Providers**

In addition, to the extent permitted by law, placement agents and their respective affiliates may provide brokerage and certain other financial and securities services to us, our affiliates or related private funds. Such services, if any, will be provided at competitive rates. BNY Mellon

Corp. is also affiliated with service providers, distributors and consultants that may provide services and may receive fees from BNY Mellon Corp. in connection with such services, which may incentivize such persons to distribute interests in a private fund or other BNY Mellon Corp. affiliated products.

Certain corporate services, such as human resources, legal and finance, are provided to us by BNY Mellon Corp. or one of its affiliates. Mellon (UK) has entered into an agreement with its affiliate, BNY Mellon Asset Management Operations LLC (“BNYM AM Ops”) to provide certain operational and systems support. BNYM AM Ops provides similar services to other affiliates of Mellon (UK).

Mellon (UK) also engages in sub-advisory relationships with other BNY Mellon Corp. affiliated companies, including Mellon Investments Corporation, where Mellon (UK) is engaged by its affiliate to provide sub-advisory services.

### **Dual Officers and Employees**

Some of our employees act as dual officers of The Bank of New York Mellon (“BNY Mellon”), an affiliated New York chartered bank (the “Bank”). Some BNY Mellon dual officers provide investment advice generally for certain pooled funds sponsored and managed by BNY Mellon. Pooled Employees Funds, a collective investment vehicle for qualified pension plans maintained by BNY Mellon. These officers may also provide investment advice for certain collective and common trust funds maintained by BNY Mellon as discretionary trustee and for certain separately managed accounts for which The BNY Mellon may be trustee, custodian, or investment manager. For these services, Mellon (UK) receives a portion of the investment management fee based upon the assets under management within the fund.

### **Other Relationships**

Certain Bank personnel, including certain of our employees, may have board, advisory, or other relationships with issuers, distributors, consultants and others that may have investments in a private fund and/or related funds or that may recommend investments in a private fund or distribute interests in a private fund. To the extent permitted by applicable law, BNY Mellon Corp. and its affiliates, including Mellon (UK) and its personnel, may make charitable contributions to institutions, including those that have relationships with investors or personnel of investors. As a result of the relationships and arrangements described in this paragraph, placement agents, consultants, distributors and other parties may have conflicts associated with their promotion of a private fund, or other dealings with a private fund, that create incentives for them to promote a private fund.

BNY Mellon Corp., among several other leading investment management firms, has a minority equity interest in Luminex Trading and Analytics, LLC (“Luminex”), a registered broker-dealer under the Exchange Act, which was formed for the purpose of establishing and operating a “buy-side” owned and controlled electronic execution utility for trading securities (the “Alternative Trading System”). Transactions for clients for which we serve as adviser or sub-adviser may be executed through the Alternative Trading System. We and other BNY Mellon Corp. subsidiaries and/or affiliates disclaim that either is an affiliate of Luminex.

Some of our clients may retain consulting firms to assist them in selecting investment managers. Some consulting firms provide services to both those who hire investment managers and to investment management firms, and we may provide separate advisory services directly or indirectly to employees of such consulting firms. We may pay to attend conferences sponsored by consulting firms and/or purchase services from consulting firms where we believe those services will be useful to us in operating our investment management business. We do not pay referral fees to consultants. However, our clients and prospective clients should be aware that consulting firms might have business relationships with investment management firms that they recommend to their clients.

BNY Mellon Corp. maintains, and we have adopted, a Code of Conduct that addresses these types of relationships and the potential conflicts of interest they may present, including the provision and receipt of gifts and entertainment.

### **Affiliated Broker/Dealers and Investment Advisers**

We are affiliated with a significant number of advisers and broker/dealers. Please see Form ADV, Part 1A - Schedule D, Section 7.A for a list of our affiliated advisers and broker-dealers.

Several of our investment adviser affiliates have, collectively, a significant number of investment-related private funds for which a related person serves as sponsor, general partner or managing member (or equivalent), respectively. Please refer to the Form ADV, Part 1A – Schedule D, Section 7.B for each of our affiliated investment advisers for information regarding such firm’s private funds (if applicable) and such firm’s Form ADV, Part 1A – Schedule D, Section 7.A for information regarding related persons that serve in a sponsor, general partner or managing member capacity (if applicable).

We have broker selection policies in place that require our selection of a broker-dealer to be consistent with our duties of seeking best execution, and subject to any client and regulatory requirements. Please see Item 12 for more information on our broker selection process.

Where we select the broker to effect purchases or sales of securities for client accounts, we are permitted to use either an affiliated or unaffiliated broker (unless otherwise restricted by an agreement, law or regulation). We may have an incentive to enter into transactions with an affiliated broker-dealer, in an effort to direct more commission dollars to the affiliate.

Limitations on our use of affiliated broker-dealers could limit our ability to engage in certain securities transactions and to take advantage of certain market opportunities

We may pay referral fees to our affiliates and employees of our affiliates for referrals that result in additional investment management business. Please see earlier sections of this Item 10 and Item 14 of this Brochure for further information.

We may be prohibited or limited from effecting transactions because of rules in the marketplace, regulatory restrictions, foreign laws or our own policies and procedures. In certain cases, we may face further limitations because of aggregation issues due to our relationship with affiliated investment management firms. Please see Item 12 for an explanation of our Trade Aggregation Policies and Procedures.



## **Affiliated Underwriters**

Our broker-dealer affiliates occasionally act as underwriter or as a member of the underwriting syndicate for certain new issue securities, which may create an incentive for us to purchase these new issue securities, in an effort to provide additional fees to the broker-dealer affiliate.

We have adopted a policy regarding purchases of securities in an offering in which an affiliate acts as an underwriter or as a member of the underwriting syndicate. In compliance with applicable banking, securities and ERISA regulations, we may purchase on behalf of our clients securities in an offering in which an affiliate is acting as an underwriter or as a member of the underwriting syndicate during the syndication period, so long as requirements of the policy, including written approval and compliance with certain investment criteria are met. The policy prohibits direct purchases from an affiliate for any fiduciary account under any circumstances (although an affiliate acting as an underwriter or as a member of the syndicate may benefit from the purchase through the receipt of a fee or other compensation).

The Bank is frequently engaged to serve as trustee, indenture trustee, custodian, paying agent or other similar capacities for the issuers of corporate bonds and other fixed income securities, including asset-backed and/or mortgage-backed securities. Because the receipt of compensation for such services by its affiliate may be affected by the success and/or size of a primary offering of such securities, Mellon (UK) may be prohibited from purchasing such securities in the primary offering for its ERISA clients in order to avoid a violation of ERISA's prohibited transaction rules. The Firm, through its parent company, has received an exemption from the U.S. Department of Labor in order to provide relief from these restrictions for its ERISA clients.

## **Affiliated Banking Institutions**

BNY Mellon Corp. engages in trust and investment business through various banking institutions, including the Bank and BNY Mellon, National Association. These affiliated banking institutions may provide certain services to us, such as recordkeeping, accounting, marketing, and referrals of clients. We may provide the affiliated banking institutions with sales and marketing materials regarding our investment management services that may be distributed under the name of certain marketing "umbrella designations" such as BNY Mellon, BNY Mellon Wealth Management, BNY Mellon IM, and BNY Mellon IM EMEA.

We may provide certain investment advice and/or security valuation services to the Bank and other BNY Mellon Corp. affiliates and/or subsidiaries. We also provide certain investment advisory and trading services to certain clients of these affiliates and separately managed accounts (including separately managed accounts for which the Bank acts as trustee, custodian, or investment manager). Certain of our employees are also officers of the Bank. In their capacity as officers of the Bank, our personnel provide discretionary investment advisory services to certain clients and also to certain collective investment funds of the Bank and we receive a fee for such services. In addition, our primarily institutional and employee benefit and foundation clients and our affiliated employee benefit plan may invest in certain collective investment funds of the Bank.

Certain clients may have established custodial or sub-custodial arrangements with the Bank and other financial institutions that are affiliated with us. Furthermore, the Bank and other financial institutions that are affiliated with us may provide services (such as trustee, custodial or administrative services) to issuers of securities. Because of their affiliation with us, our ability to purchase securities of such issuers and to take advantage of certain market opportunities may be subject to certain restrictions and in some cases, prohibited.

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

We have adopted a Code of Ethics that is made up of two parts:

- 1) BNY Mellon Corp. Code of Conduct and Interpretive Guidance (the “BNY Mellon Code”); and
- 2) BNY Mellon Corp. Personal Securities Trading Policy (the “PSTP”).

The BNY Mellon Corp. Code of Conduct provides to employees the framework and sets the expectations for business conduct. In addition, it clarifies our responsibilities to clients, suppliers, government officials, competitors and the communities we serve and outlines important legal and ethical issues:

- 1) Conflicts of Interest: gifts, entertainment and other payments; personal conflicts of interest; fiduciary appointments and bequests; outside affiliations, outside employment and certain outside compensation issues; and disclosure of relationships and transactions;
- 2) Proper Use and Care of Information and Proper Recordkeeping: proprietary information and intellectual property; data integrity and corporate information; use of e-mail and internet; accurate accounting and internal controls; use of non-public or “inside” information; talking to the media; and document retention;
- 3) Dealing with Customers, Prospects, Suppliers, and Competitors: business relationships with customers, prospects, suppliers, and competitors; business decisions; exploitation of relationships and use of the company’s name, letterhead or facilities; knowing your customer; and recognizing and reporting illegal, suspicious, or unusual activities;
- 4) Doing Business With the Government: complying with government contracts, government contracting laws and regulations; integrity in the sales and marketing process; truthful, accurate statements and recordkeeping; safeguarding government information and property; cooperating with government audits and investigations; and meeting employment and labor obligations;
- 5) Personal Finances: personal investments; personal brokerage accounts; political campaign contributions; contributions to not-for-profit entities; and individual employees’ regulatory requirements; and
- 6) Compliance with the Law: among other matters illegal or criminal activities; investigations; and protection of company assets.

The PSTP is designed to reinforce our reputation for integrity by avoiding even the appearance of impropriety and to ensure compliance with applicable laws in the conduct of our business. The PSTP sets forth procedures and limitations that govern the personal securities transactions of our employees in accounts held in their own names as well as accounts in which they have indirect ownership. We, and our related persons and employees, may, under certain circumstances and consistent with the PSTP, purchase or sell for their own accounts securities that we also recommend to clients.

The PSTP imposes different requirements and limitations on employees based on the nature of their business activities for Mellon (UK). Each of our employees is classified as one of the following:

- 1) Investment Employee (“IE”): IEs are employees who, as part of their responsibilities, have access to nonpublic information regarding any advisory client’s purchase or sale of securities or nonpublic information regarding the portfolio holdings of any Proprietary Account, or are involved in making securities recommendations to advisory clients or have access to such recommendations before they are public.
- 2) Access Decision Maker (“ADM”): ADMs (generally portfolio managers and research analysts who make recommendations or decisions regarding the purchase or sale of equity, convertible debt and non-investment grade debt securities for mutual funds and other managed accounts) are subject to the most extensive procedures under the PSTP.
- 3) Micro-Cap Access Decision Maker (“MCADM”): MCADMs (generally active equity portfolio managers who make recommendations or decisions on behalf of clients regarding the purchase or sale of securities of issuers having a small market capitalization) are subject to the most extensive procedures under the PSTP.

#### PSTP Overview:

- 1) IEs, ADMs and MCADMs are subject to preclearance and personal securities reporting requirements, with respect to discretionary accounts in which they have direct or indirect ownership;
- 2) Transaction reporting is not required for non-discretionary accounts, transactions in exempt securities or certain other transactions that are not deemed to present any potential conflicts of interest;
- 3) Preclearance is not required for transactions involving certain exempt securities (such as open-end investment company securities that are not Proprietary Funds or money market funds and short-term instruments, non-financial commodities; transactions in non-discretionary accounts (approved accounts over which the employee has no direct or indirect influence or control over the investment decision-making process); transactions done pursuant to automatic investment plans; and certain other transactions detailed in the PSTP which are either involuntary or deemed not to present any potential conflict of interest;

- 4) We have a “Peclearance Compliance Officer” who maintains a “restricted list” of companies whose securities are subject to trading restrictions. This list is used by the Peclearance Compliance Officer to determine whether or not to grant trading authorization;
- 5) The acquisition of any securities in a private placement requires prior written approvals;
- 6) With respect to transactions involving BNY Mellon Corp. securities, all employees are also prohibited from engaging in short sales, purchases on margin, option transactions (other than employee option plans), and short-term trading (i.e., purchasing and selling, or selling and purchasing BNY Mellon Corp. securities within any 60 calendar day period);
- 7) With respect to non-BNY Mellon Corp. securities purchasing and selling, or selling and purchasing the same or equivalent security within 60 calendar days is discouraged, and any profits must be disgorged; and
- 8) No covered employee should knowingly participate in or facilitate late trading, market timing or any other activity with respect to any fund in violation of applicable law or the provisions of such fund’s disclosure documents.

A copy of our Code of Ethics will be provided upon request.

#### **Interest in Client Transactions:**

While each of the following types of transactions present conflicts of interest for us, as described below, we manage our accounts consistent with applicable law, and we follow procedures that are reasonably designed to treat our clients fairly and to prevent any client or group of clients from being systematically favored or disadvantaged.

#### **Principal Transactions**

“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 any security from or sells any security to any client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated pooled investment vehicle and another client account. When an investment adviser engages in a principal transaction, it may have an incentive to favor its own interests over the interests of its client.

The Firm generally may not cause its clients to enter into principal transactions with related persons. Under limited circumstances, however, the Firm may enter into a principal transaction provided that the transaction is in accordance with Section 206(3) of the Advisers Act. All such transactions must receive client consent for each transaction, are effected on arms’ length terms and, with respect to commissions, are generally competitive with those paid to non-related broker-dealers.

It is our policy that neither we nor any of our officers or directors shall, as principal, buy securities for itself from or sell securities it owns to any client. However, we are part of a large diversified financial organization, which includes banks and broker-dealers. As a result, it is possible that a related person other than our officers and directors, may, as principal, purchase securities from, or sell securities to our clients.

### Cross Transactions

“Cross Trades” are generally defined as transactions in which a person acts as an investment adviser in relation to a transaction in which such adviser, or any person controlling, controlled by or under common control with, such adviser, acts as broker for both such advisory client and for another person on the other side of the transaction.

The Firm generally does not knowingly engage in cross trades, except in the following limited circumstances and/or in consultation with the client.

In limited circumstances, the Firm may engage in cross trades for advisory accounts in which an affiliated broker-dealer acts as broker for both the advisory account and the other party to the transaction. The Firm may also effect cross trades directly between advisory accounts, provided that: such transactions are consistent with the investment objectives and policies of such accounts (for mutual funds, consistent with the funds’ Rule 17a-7 procedures (procedures for transactions with affiliated persons)); are, in the view of the respective portfolio managers, favorable to both sides of the transaction; and are otherwise executed in accordance with applicable laws, rules and regulation. Cross trades present conflicts of interest, as there may be an incentive for us to favor one client to the cross trade over the other. For example, if one client account pays performance fees, while the other client account pays only asset-based fees, we would have a financial incentive to favor the performance fee paying account in the cross trade. The Firm will only knowingly engage in cross trades to the extent permitted by applicable law and will, to the extent required by law, obtain the necessary client consents (which consents may be revoked at any time).

The Firm may utilize a crossing system in accordance with the United States Department of Labor’s Prohibited Transaction Exemption 95-56 (the “Exemption”). Under the Exemption, we may cross-trade domestic and international equity and debt securities, including BNY Mellon Corp. stock (but excluding BNY Mellon Corp. debt securities) between Indexed Accounts and various Large Accounts (as such terms are defined in the Exemption). Cross trading opportunities are identified through a proprietary crossing program and are allocated among potential buyers and sellers on a pro rata basis in accordance with the Exemption.

### Interests in Recommended Securities/Products

We or our affiliates may recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that we or one of our affiliates buys or sells the same securities for our (or the affiliate’s) own account. This practice may give rise to a variety of potential conflicts of interest, particularly with respect to aggregating, allocating and sequencing securities being purchased on both our (or the affiliate’s) behalf and our clients’ behalf. For example, we could have an incentive to cause a client or clients to participate in an offering

because we desire to participate in the offering on our own behalf, and would otherwise be unable to meet the minimum purchase requirements. Likewise, we could have an incentive to cause our clients to participate in an offering to increase our overall allocation of securities in that offering, or to increase our ability to participate in future offerings by the same underwriter or issuer. On the other hand, we could have an incentive to cause our clients to minimize their participation in an offering that has limited availability so that we do not have to share a proportionately greater amount of the offering to the client. Allocations of aggregated trades might likewise raise a potential conflict of interest as we may have an incentive to allocate securities that are expected to increase in value to our self. See Item 12 for a discussion of our brokerage and allocations practices and policies. Further, a potential conflict of interest could be viewed as arising if a transaction in our own account closely precedes a transaction in related securities in a client account, such as when a subsequent purchase by a client account increases the value of securities that were previously purchased for our self.

On occasion, we may recommend the purchase or sale, or purchase or sell, securities that are issued by our affiliate, BNY Mellon Corp., or underwritten by its affiliate, BNY Mellon Capital Markets, LLC, for client accounts if such recommendation or purchase or sale is in accordance with the client's guidelines. In addition, we or a related person may recommend the purchase of securities in certain private funds which we manage (and for which we or an employee may serve as a director or managing member) or collective investment funds maintained by the Bank (which are managed by our personnel in their roles as dual officers of the Bank and for which we receive a fee and the Bank may receive a custodial fee for custody services). The Firm, its employees and related persons currently invest in certain private funds or collective funds that may also include client assets managed by us, and we and such related persons will receive proportional returns associated with our investment. Additionally, we may receive an investment management fee in our capacity as investment adviser or sub-adviser and related persons (including affiliated broker-dealers) may receive certain amounts associated with placement agent fees, custodial fees, administrative fees, loads or sales charges.

#### Investments by Related Persons and Employees

We and our existing and future employees, our board members, and our affiliates and their employees may from time to time invest in products managed by us. We have developed policies and procedures to address conflicts of interest created by such investment. We are part of a large diversified financial organization that includes banks and broker-dealers. As a result, it is possible that a related person may, as principal, purchase securities or sell securities for itself that we also recommend to clients. We do permit our employees to invest for their own account within the guidelines and restrictions of the Code of Ethics, as described above. For more information, please see "Interests in Recommended Securities/Products" in this Item 11, and "Dual Officers and Employees" and "Affiliated Underwriters/Trustees" in Item 10 with regard to purchases of securities in an offering where an affiliate acts as underwriter or a member of the underwriting syndicate.

#### Agency Transactions Involving Affiliated Brokers

We do not, nor do any of our officers or directors, acting as broker or agent, effect securities transactions for compensation for any client. We are part of a large diversified financial

organization that includes broker-dealers. As a result, it is possible that a related person, other than our officers and directors, may, as agent, effect securities transactions for our clients for compensation. Please also see Item 10 and Item 12 for additional information relating to affiliate arrangements and with regard to purchases of securities in an offering where an affiliate acts as underwriter or a member of the underwriting. Please also see Form ADV, Part 1A – Schedule D, Section 7 for a list of broker-dealers which are our affiliates.

## **Item 12. Brokerage Practices**

**Broker Selection:** Unless specifically directed otherwise by our clients, we have the authority to direct securities transactions on behalf of our clients to broker-dealers we select. In doing so, we seek best execution of such transactions. When seeking best execution, we may consider the following, among other things, in evaluating the full range and quality of a broker-dealer's services, (1) availability of natural liquidity, (2) availability of broker capital, (3) quality of past executions, (4) appropriate time horizon (speed) of execution, (5) competence and integrity of trading personnel, (6) reliability in trade settlement and reporting, (7) level of counterparty risk (broker's financial condition), (8) negotiated commission rate, (9) availability of electronic order routing and trade reporting connectivity, (10) current market conditions, (11) market capitalization and (12) client directed brokerage, as well as other relevant factors. We may also consider other brokerage and research services provided by the broker-dealer. We will continue to make periodic evaluations of the quality of these brokerage services as provided by various firms and to measure their services against our own standards of execution. Brokerage services will be obtained only from those firms which meet our standards, maintain a reasonable capital position and can, in our judgment, be expected to reliably and continuously supply these services. Please see the discussion concerning the Volcker Rule and its possible implications concerning our broker-dealer selection practices in Item 10, above.

**Soft Dollars:** The term “soft dollars” is commonly understood to refer to arrangements where an investment adviser uses client brokerage commissions to pay for research or other services used by the investment adviser. Section 28(e) of the Securities Exchange Act of 1934 provides a “safe harbor” that permits investment advisers to enter into soft dollar arrangements if the investment adviser determines in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services provided.

As a matter of policy, we do not utilize “soft dollar” arrangements.

**Other Brokerage Practices Conflicts of Interest:** The following brokerage practices may lead to an actual or potential conflict of interest when selecting broker-dealers to execute client trades:

1. receiving client referrals from a broker-dealer;
2. acting on a client's direction to use a particular broker-dealer; and
3. using affiliated broker-dealers.

**Compensation for Client Referrals:** We do not provide compensation to any broker-dealer to whom we direct securities transactions in exchange for referral of investment management clients.

Brokerage for Client Referrals: We do not direct securities transactions to any broker-dealer in exchange for referral of investment management clients.

Directed Brokerage: We may accept direction from a client to place trades for a client's account with a particular broker-dealer. At times, a client will instruct us to execute certain trades in their portfolio with a specified broker-dealer. In the event that such direction occurs, we may have limited capability to negotiate prices or obtain volume discounts. In addition, in meeting the client's brokerage directive, we may not be able to aggregate these transactions with transactions we effect for other accounts we manages and we may delay placing the orders for directed accounts until our orders for other accounts have been completed. As a result, the net price paid or received by the directed account may be different than the price paid or received by our other accounts, as we may be unable to achieve the most favorable execution. Directing brokerage may cost clients more money.

Use of Affiliate Broker-Dealers: The Firm maintains an Approved Broker List for various types of transactions from which we select broker-dealers and other counterparties to effect transactions for client accounts. Historically, we have not used affiliated broker-dealers for trade execution. In the future, we will continue to evaluate the services offered by our affiliated brokers and may execute securities transactions through such brokers in a manner that is, in all cases, consistent with our duty to seek best execution.

The Firm may, in certain circumstances, participate in underwritten offerings where an affiliate is part of the syndicate, although the Firm typically will not participate in an underwritten offering for which an affiliate of the Firm acts as a lead underwriter. The Firm does not execute trades with its affiliate in these circumstances and seeks to ensure that its affiliate will not be compensated as a result of the Firm's participation in the offering. Please see Item 10 of this Brochure for more information on the use of affiliated underwriters.

Trade Aggregation: When a trade is placed for more than one advisory client, Mellon (UK) may, in its discretion, aggregate orders or block trades when Mellon (UK) believes this will result in more favorable execution. All Mellon (UK) clients may participate in block trades to the extent it is consistent with the accounts' investment policy, guidelines and restrictions.

Mellon (UK) may aggregate transactions for its managed accounts with affiliate managed accounts for which Mellon (UK)'s officers are also officers of such affiliates. Mellon (UK) may also aggregate trades for its clients with (a) trades for clients of AMNA; and (b) trades for accounts such as retirement plans in which Mellon (UK)'s employees are participants or mutual funds in which Mellon (UK)'s or related parties' employees have invested. When trades are aggregated, each account within the block will receive the same price.

For certain foreign exchange ("FX") transactions, we may aggregate buys and sells in the same currency to obtain a net FX quote that is, at times, more advantageous than would be available without aggregating and netting, but in no circumstances less advantageous than would be available without aggregating and netting.



### Trade Allocation:

If a block order is filled in its entirety, the order will be allocated in accordance with the pre-trade allocation specified. If a block order is partially filled, the order is allocated among the accounts specified on the trade ticket on a pro rata basis in proportion to the intended pre-trade allocation. When trades are aggregated, each account within the block will receive the same price and execution.

Any deviation from the pro rata allocation policy shall be for good cause. On a daily basis the partial fill report is reviewed for any deviations from pro-rata allocation policy. Deviations are usually due to a cash flow in an account, minimum denomination increments or de minimus allocations.

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

Portfolio Managers review their portfolios with the CEO periodically. The review covers absolute and relative to benchmark positioning and changes over the course of the previous month. The review also covers performance of each portfolio, attribution of performance, and reasons for any performance dispersion between like strategies. The Portfolio Manager for the strategy provides documentation on those topics and minutes are taken. These meetings are open for any other investment team members and client service personnel.

The Mellon (UK) strategy team meets regularly to go over current issues, potential strategy shifts, and market changes. Portfolio Managers and Portfolio Analysts for each investment team review all trades for all accounts daily and meet formally on a weekly basis. The Portfolio Manager and Portfolio Analyst for each team reviews daily the fixed income account summary data for each account relating to quality, diversification, duration, and yield curve distribution, which shall be consistent with the current investment policy of Mellon (UK). Such reviews take into account, but are not limited to, computer-generated reports that identify targets, and any dispersion from targets, on sectors, curve, duration, etc. The Portfolio Managers also review performance on a daily basis, for daily, month-to-date, and year-to-date performance. Portfolio Analysts review each trade prior to allocation, keeping in mind the above targets as well. On a regular basis, Portfolio Managers review holdings and themes with other Portfolio Managers and their investment teams. The teams undertake an in-depth, more detailed review when certain rank levels are triggered and during other circumstances, as required.

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

Unaffiliated Solicitors and Placement Agents. We may hire third parties to solicit new investment advisory clients. The commissions or fees, if any, payable to such solicitors (also referred to as placement agents) with respect to solicitation of investments with us will be paid solely by us. Clients will not pay fees for these solicitations. These solicitors have an incentive for the client to hire us because we will pay the solicitor for the referral. The prospect of receiving solicitation/placement fees may provide such placement agents and/or their salespersons with an incentive to favor these sales over the sale of other investments with respect to which the placement agent does not receive such compensation, or receives lower levels of compensation. In addition, to the extent permitted by law, certain placement agents and their

respective affiliates may provide brokerage and certain other financial and securities services to us or our affiliates. Such services, if any, will be provided at competitive rates.

Some of Mellon (UK)'s clients may retain consulting firms to assist them in selecting investment managers. Some consulting firms provide services to both those who hire investment managers and to investment management firms. Mellon (UK) may pay to attend conferences sponsored by consulting firms and/or purchase services from consulting firms where it believes those services will be useful to it in operating its investment management business. Mellon (UK) does not pay referral fees to consultants. However, Mellon (UK)'s clients and prospective clients should be aware that consulting firms might have business relationships with investment management firms that they recommend to their clients.

From time to time, Mellon (UK) may enter into agreements with third parties, providing cash compensation to solicitors who secure clients for Standish. These agreements require that the solicitor meet the disclosure and other requirements of Rule 206(4)-3 under the Investment Advisers Act, and are in compliance with the requirement that each client subject to a referral arrangement receive a copy of the referral agreement prior to or at the time of entering into an agreement with Mellon. They generally provide either for compensation equal to a specified percentage of fees received by Mellon (UK) from clients referred by the solicitor, or for fixed compensation payable monthly or quarterly.

Affiliated Solicitors and Placement Agents. We pay referral fees to our affiliates (and/or their employees) for referrals that result in additional investment management business. Please see the discussion of affiliated placement agents in Item 10, above.

Our ultimate parent company, BNY Mellon Corp., has organized its lines of business into two groups: Investment Management and Investment Services (collectively "Groups"). We are part of the Investment Management Group. A sales force has been created to focus on developing new customer relationships and developing and coordinating large complex existing customer relationships within those Groups.

In certain circumstances, Investment Management sales representatives are paid fees for sales. The fees may be based on revenues and may be a one-time payment or paid out over a number of years. In addition, our sales representatives and sales representatives of our affiliates within the Investment Management Group are paid for intra-Group referrals to Group counterparts. Those fees are based on the first year's revenue for the Group counterpart.

Sales of any alternative investment products (such as private funds) may be made through a broker-dealer affiliate. Only registered representatives of such broker-dealer receive compensation for sales of alternative investments.

We may pay a fee to an affiliate (or directly to employees of the affiliate) that has a pre-existing relationship with a new client in the Investment Services Group. The fees may be based on revenues and may provide for a one-time payment or payments over a number of years.

## **Item 15. Custody**

Rule 206(4)-2 under the Advisers Act (the “Custody Rule”) defines “custody” to include a situation in which an adviser or a related person holds, directly or indirectly, client funds or securities or has any authority to obtain possession of them, in connection with advisory services provided by the adviser.

For purposes of the Custody Rule, we are deemed to have “custody” of certain client assets because client funds or securities are held by the Bank (a related person of the Firm), we or an employee serve as a director or managing member of investment funds organized as limited partnerships or limited liability companies and/or we are deemed to have the ability to direct the transfer of funds or securities or to deduct fees from client custodial accounts. Generally, an adviser that is deemed to have custody of a client’s funds or securities, among other things, is required to arrange for an annual independent verification of such funds or securities in accordance with the Custody Rule (the “Surprise Exam Requirement”). However, the Custody Rule contains the following exceptions from the Surprise Exam Requirement:

1. Ability to Deduct Fees: advisers deemed to have custody of client assets solely because of their ability to deduct fees from client accounts are not subject to the Surprise Exam Requirement. Mellon (UK) does not deduct fees from client’s custodian accounts.
2. Related Person & Operational Independence: advisers deemed to have custody of client assets solely because a related person holds client assets will not be subject to the Surprise Exam Requirement, provided the adviser and the related person are “operationally independent.” Mellon (UK) will rely upon this exemption to avoid a surprise audit for certain clients. We have determined that our operations are independent from those of the related person holding client assets.

Separate account clients: you will receive from your bank, broker-dealer or other qualified custodian an account statement, at least quarterly, identifying the amount of funds and each security in the account at the end of the period and setting forth all transactions in the account during that period. Please review these statements carefully. You will also receive account statements separately from us. You are strongly urged to compare the account statements you receive from us with those that you receive from your qualified custodian.

### **Physical Custody**

We do not maintain physical possession of client assets held in separately managed accounts. Typically each of our clients independently selects a custodian with whom it contracts directly. Our authority to instruct the client’s custodian is limited to that granted by the client to us in the investment management agreement.

## **Item 16. Investment Discretion**

We typically accept discretionary investment authority over client assets, and clients must grant this discretionary authority to us in writing via a contract, and/or through an appointment to become the investment adviser of a private fund. In all cases, however, such discretion is to be

exercised in a manner consistent with the stated investment objectives and guidelines for the particular client account.

Clients must deliver their investment guidelines and restrictions to us in writing, and we will adhere to such guidelines and restrictions when making investment decisions.

#### **Item 17. Voting Client Securities**

Mellon (UK) does not accept authority to vote client securities in connection with any of services described in this Brochure.

#### **Item 18. Financial Information**

In certain circumstances, registered investment advisers are required to provide you with financial information or disclosures about their financial condition in this Item. Mellon (UK) has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has never been the subject of a bankruptcy proceeding.