

# Fischer Francis Trees & Watts UK Ltd.

## Part 2A of Form ADV

### The Brochure

5 Aldermanbury Square  
London EC2V 7BP  
United Kingdom  
<http://www.fftw.com>

6 May 2015

This brochure provides information about the qualifications and business practices of Fischer Francis Trees & Watts UK Ltd. (“FFTW UK”). If you have any questions about the contents of this brochure, please contact us at +44 20 7063 7734. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

## **Summary of Material Changes**

On 21 July, 2010, the U.S. Securities and Exchange Commission (the "SEC") unanimously adopted changes to Form ADV, Part 2. The new Form ADV, Part 2, also known as the "Brochure", requires disclosure on distinct topics, and answers must be presented in the order of the items in the form, using the headings in the form. Our goal is to provide you with easy-to-understand "plain-English disclosure," using an easy-to-read format and definite, concrete, everyday words.

Our current Form ADV, Part 2 will be available to our existing and prospective clients 24 hours a day through the SEC's Investment Adviser Public Disclosure website. Additionally, we will annually and within 120 days of the end of our fiscal year, provide you either: (i) a copy of our Form ADV, Part 2 that includes or is accompanied by a summary of material changes; or (ii) a summary of material changes that includes an offer to provide a copy of the current Form ADV, Part 2.

We urge you to carefully review all subsequent summaries of material changes, as they will contain important information about any significant changes to our advisory services, fee structure, business practices, conflicts of interest, and disciplinary history.

A material change to this Brochure dated May 6, 2015 has been made since the last annual update of the Brochure on March 31, 2015. This update has been made to reflect the Disciplinary Information on Item 9 related to Plea Agreements between the U.S. Department of Justice and BNP Paribas S.A. ("BNPP") and the District Attorney of New York County and BNPP. The Plea Agreements settled actions pursuant to which BNPP pleaded guilty in federal court to conspiracy to violate U.S. sanctions laws and in New York state court to conspiracy and falsifying banking records, both of which actions covered the time period 2004 through 2012. No other changes have been made to this Brochure.

## **Table of Contents:**

Advisory Business .....	4
Fees and Compensation .....	5
Performance Based Fees and Side-by-Side Management .....	8
Types of Clients.....	8
Methods of Analysis, Investment Stragies and Risk of Loss.....	9
Disciplinary Information .....	14
Other Financial Industry Activities and Affiliations .....	15
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	18
Brokerage Practices .....	19
Review of Accounts .....	21
Client Referrals and Other Compensation.....	22
Custody.....	22
Investment Discretion.....	23
Voting Client Securities .....	23
Financial Information .....	25

## **Advisory Business**

Fischer Francis Trees & Watts UK Ltd (“FFTW UK”) and its affiliate Fischer Francis Trees & Watts Inc. are part of a global investment management group, Fischer Francis Trees & Watts (the “FFTW Group”), which, as described below, is part of BNP Paribas’ asset management business. The FFTW Group manages 117 mandates and funds on behalf of clients worldwide as of 31 December 2014. The FFTW Group specialises in managing U.S. and global fixed income portfolios for institutional clients.

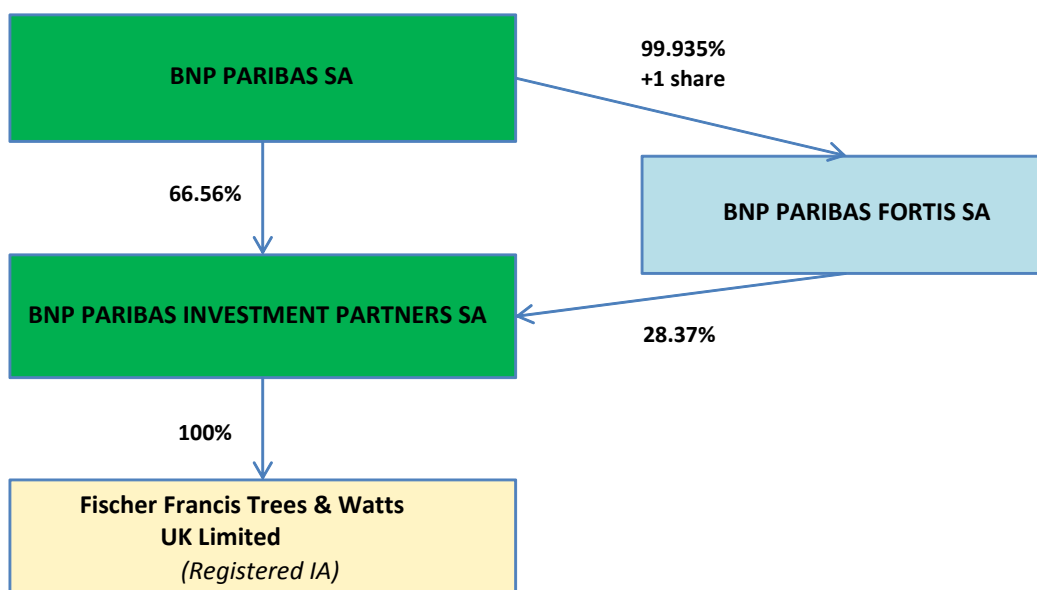
Founded in the U.S. in 1972, the FFTW Group operates in three strategically located offices throughout the world: United Kingdom (London) and United States (New York and Boston).

Over the long term, the FFTW Group’s business strategy is to maintain a diversified business within the specialty of fixed income and multi-currency portfolio management. The FFTW Group seeks diversification along several dimensions, including the range of fixed income investment assignments undertaken (i.e., controlled risk, broad market, absolute return strategies) as well as the geographical and industry distribution of its client base.

While part of a global investment management business, the focus of this brochure is limited to the activities of FFTW UK.

As of 31 December 2014, FFTW UK has assets under management of US\$5.1 billion on a discretionary basis. FFTW UK’s clients may include insurance companies, pension funds, corporations, central banks and sovereign wealth funds, commercial banks and collective investment schemes.

As illustrated in the organisational chart below, FFTW UK is wholly owned by BNP Paribas Investment Partners S.A., which is owned by, among others, BNP Paribas S.A. with a 66.56% interest and BNP Paribas Fortis SA (“BNPP Fortis”) with a 28.37% interest. BNP Paribas S.A. (“BNPP”) owns 99.935% plus one share of BNPP Fortis.



BNPP is a publicly owned bank organised in France engaged in global financial activities. FFTW UK is part of BNPP’s asset management business, BNP Paribas Investment Partners (“BNPP IP”), within BNPP’s Investment Solutions division. BNPP IP is one of the major players in the investment management industry with assets under management and advisory totalling \$576 billion (as at 31 December 2014), comprised of approximately 3,200 employees in over 36 countries and 60 investment centres.

FFTW Group manages both long-only fixed income portfolios and long-short fixed income strategies. FFTW Group may also act as manager for separate institutional accounts which employ alternative investment strategies such as foreign exchange strategies. FFTW Group offers a variety of fee schedules for its investment products, as detailed below, which may include both management and performance fees, where appropriate. For each investment product, clients receive individualised investment advisory services tailored to their particular investment objectives and guidelines.

## Fees and Compensation

FFTW UK manages portfolios of fixed-income securities for institutional clients including pension funds, corporations, universities, foundations, foreign institutions and Central Banks. Where permitted by our clients, in connection with the management of fixed income portfolios we also manage exposure to foreign currencies.

The FFTW UK basic fee schedules, listed below, are subject to negotiation between the parties at FFTW UK’s discretion. The precise schedule of fees is dependent upon the size of the mandate as well as any client specific requirements. In addition, FFTW UK reserves the right to waive all or a portion of its management and performance-based fees, as applicable and negotiate investment minimums. Comparable clients in the same investment style may have fee schedules that vary from the standard fee schedule and FFTW UK reserves the right to add or delete certain services discussed below. For comparable services, other investment advisers may charge higher or lower fees than those charged by FFTW UK.

Our standard fees for segregated mandates are generally as follows (per annum):

Product/Sub-Product Group	Product	Fee Schedule
Multi-Sector	Global Aggregate	25bps on first \$250M 20bps on next \$250M 15bps thereafter
Multi-Sector	U.S. Core/ Intermediate Core	25bps on first \$250M 20bps on next \$250M 15bps thereafter
Government	Global Sovereign	25bps on first \$250M 20bps on next \$250M 15bps thereafter
Government	U.S. Governments	20bps on first \$250M 15bps on next \$250M 10bps thereafter
Government: Inflation-Linked	Global ILB	25bps on first \$250M 20bps on next \$250M 15bps thereafter
Government: Inflation-Linked	U.S. TIPs	20bps on first \$250M 15bps on next \$250M 10bps thereafter
Short Duration – Libor Strategies	AAA Libor Plus	20bps on first \$250M 15bps on next \$250M 10bps thereafter
Short Duration – No Credit	U.S. Short Duration	20 bps on first \$250M 15 bps on next \$250M 10 bps thereafter
Short Duration – No Credit	Global Short Duration	25 bps on first \$250M 20 bps on next \$250M 15 bps thereafter
Short Duration – With Credit	Global SD w/Credit	25 bps on first \$250M 20 bps on next \$250M 15 bps thereafter
Short Duration – With Credit	U.S. SD w/Credit	20bps on first \$250M 15bps on next \$250M 10bps thereafter
Short Duration – With Credit	U.S. Short-Intermediate	20bps on first \$250M 15bps on next \$250M 10bps thereafter
Mortgages	Mortgage index	25bps on first \$250M 20bps on next \$250M 15bps thereafter
Alpha Strategies	Multi-Strategy	60bps on all assets 20% performance share

Alpha Strategies	Currency Overlay	25bps on first \$250M 20bps on next \$250M 15bps thereafter 20% performance share
Alpha Strategies	Currency Alpha	50bps on all assets 20% performance share
Alpha Strategies	Multi-Strategy / Absolute Return	45bps on first \$150M 40bps on next \$150M 35bps thereafter
Alpha Strategies	Mortgage Alpha	50bps on all assets 20% performance share
Corporates	U.S. High Yield	40 bps on first \$100M 30 bps on next \$50M 20 bps thereafter
Corporates	Global High Yield	40 bps on first \$100M 30 bps on next \$50M 20 bps thereafter
Corporates	Global Investment Grade	30 bps on first \$100M 25 bps on next \$50M 20 bps thereafter
Emerging Markets Debt	Bond World Emerging Hard Currency	55bps on first \$100M 50bps on next \$100M 45bps thereafter
Emerging Markets Debt	Bond World Emerging Local	55bps on first \$100M 50bps on next \$100M 45bps thereafter
Emerging Markets Debt	Bond World Emerging Corporate	55bps on first \$100M 50bps on next \$100M 45bps thereafter
Emerging Markets Debt	Bond World Emerging Investment Grade	55bps on first \$100M 50bps on next \$100M 45bps thereafter
Emerging Markets Debt	Bond World Emerging Total Return	55bps on first \$100M 50bps on next \$100M 45bps thereafter
Emerging Markets Debt	Bond Europe Emerging	55bps on first \$100M 50bps on next \$100M 45bps thereafter

Certain clients may have a portion of their separate account assets invested in commingled vehicles for which FFTW UK may be an adviser or sub-adviser.

Fees are generally payable quarterly, (although monthly, semi-annual and annual payment periods are also used) and are generally based upon the market value of funds managed as of the end of the preceding calendar quarter or on the average market value of funds managed within the calendar quarter. All client fees are paid in arrears.

FFTW UK's fees are exclusive of brokerage commissions, transaction costs and other related costs and expenses which shall be incurred by the client. Such costs are in addition to FFTW UK's fees and FFTW UK does not receive any portion of these costs. Please refer to the section entitled "*Brokerage Practices*" below for further information regarding the factors that FFTW UK considers in selecting and recommending broker-dealers for client transactions and determining the reasonableness of their compensation.

Our investment management agreements may be terminated by us or by our clients, subject to applicable notice provisions contained in the contracts.

## **Performance Based Fees and Side-by-Side Management**

Performance based fees are fees based on a share of capital gains on or capital appreciation of the assets of a client. Performance fees are in effect for certain clients of FFTW UK.

It should be noted that an adviser charging performance fees to some accounts faces certain conflicts because the adviser can potentially receive greater fees from its accounts having a performance-based compensation structure than from those accounts it charges a fee unrelated to performance (e.g., an asset-based fee). As a result, the adviser may have an incentive to direct the best investment ideas to, or to allocate or sequence trades in favour of, the account that pays a performance fee. FFTW UK is required to treat its clients fairly in relation to such conflicts of interest and will make decisions for client portfolios in accordance with its fiduciary responsibilities. Consistent with this fiduciary duty, FFTW UK's trading procedures seek to ensure that all clients are treated fairly and equitably and that no client account is advantaged or disadvantaged over another.

As mentioned in the section entitled "*Fees and Compensation*" above, certain clients may have a portion of their separate account assets invested in commingled vehicles for which FFTW UK may be an adviser or sub-adviser. Recommendations to these clients to use these affiliated commingled vehicles are made solely to enhance overall investment returns, to improve investment offerings, and to allow clients to participate in certain investment opportunities that would otherwise not be available or economic on a separate account basis. FFTW UK places assets of its clients in such vehicles only if the client authorises such use and receives the offering documents for those investments. Fees charged by FFTW UK are specified in a client's investment management agreement.

## **Types of Clients**

FFTW UK may provide customised investment management services to institutional clients and collective investment schemes, including but not limited to, banks, insurance companies, official institutions, and other corporations or business entities.

As discretionary manager, we review the specific circumstances, current investments and investment goals of each client. In order to assure an appropriate fit with the management style chosen, FFTW UK reserves the right to review each prospective client as to investment profile.



We generally impose a US\$100 million account minimum for investment management services. FFTW UK may negotiate minimum asset size on a case by case basis.

FFTW UK focuses on seven broad fixed income strategies: single sector, multi-sector, absolute return, credit, short duration, corporates and emerging market debt. Specific strategies within each area have been identified and are differentiated by its target return and risk profile. For each solution we employ, an active top-down allocation of risk is performed to determine the portfolios' positioning and exposures to our active alpha teams.

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

FFTW UK's investment philosophy is based upon the following beliefs:

- i) Systematic use of multiple alpha strategies aim to deliver consistent returns
- ii) Blending qualitative analysis and quantitative models yield superior results
- iii) Specialised, accountable and incentivised managers make better decisions
- iv) Management of risk ranks hand-in-hand with the search for alpha.
- v) Constant innovation keeps investment professionals ahead of the curve

Our clients' portfolios are managed by a team of investment professionals. Investment decisions are made by product heads and portfolio managers focusing on generating alpha according to their specific expertise. All decisions are made to balance the expected return outcome with the assessed risk of the position, in the context of the risk parameters and investment guidelines of each client's portfolio. Positions may be strategic and of a long term nature, or tactical to take advantage of short term anomalies.

Periodically, the investment team reviews and establishes target levels of incremental return for each portfolio. Concurrently, consideration of the client's return objectives and the market environment is undertaken in an effort to provide the appropriate scaling of off-benchmark exposures required to meet the targeted incremental return.

We aim to achieve targeted incremental returns from active management by seeking opportunities within the global fixed income markets and foreign exchange markets. Portfolio managers use a three-step process for identifying investment opportunities. The process combines judgmental and quantitative approaches to capture relative value at the asset class and individual security level. We believe that the drivers of fixed income markets can be grouped into three broad categories; Macroeconomic (such as growth or inflation indicators, monetary and fiscal policies etc), Valuation (typically comparing current pricing against historical experience and relative to other fixed income markets or asset classes) and Sentiment (indicators of market sentiment, positioning and risk appetite). This Macroeconomic Valuation and Sentiment (MVS) framework is applied to all judgmental investment decisions. This three step process guides all investment decisions. The firm also has capabilities to deploy quantitative strategies, which may seek to exploit trend/momentum of asset(s), mean-revision of asset(s), or other inefficiencies in the market.

For emerging market fixed income portfolios, FFTW UK may invest in bonds and other similar debt securities issued by emerging countries, including but not limited to Chile, Korea, Hungary, Mexico, Poland, the Slovak Republic, the Czech Republic, Turkey and all other countries not belonging to the OECD and companies that have registered offices or conduct a significant portion of their business in these countries. Derivative financial instruments will be utilised to effect this strategy. The strategy seeks to benefit from changes in emerging countries' economic fundamentals (e.g. growing current account surpluses, rising capital inflows, low fiscal deficits) and from interest rate convergence and currency appreciation.

The investment approach centres on taking a series of diversified, often uncorrelated positions that balance currency and interest-rate risks around specified performance benchmarks. Global fixed-income portfolios are constructed using sovereign debt and currencies and, guidelines permitting, corporate bonds, structured securities, and emerging market investments.

We use futures and various other derivatives (such as interest rate swaps, credit default swaps and currency forwards) in the management of fixed-income portfolios, where eligible. These instruments are used to take or hedge existing positions and as a substitute for the cash market when the synthetic alternatives are deemed more efficient. The use of derivatives in portfolios is only when permitted by the client's guidelines and is always consistent with the terms of such guidelines.

FFTW UK's portfolio managers are charged with the responsibility of monitoring the economic research of outside firms. Included among these firms are counterparties with whom FFTW UK regularly transacts securities business. Also included are independent research and consulting firms from whom FFTW UK purchases economic research. As described in further detail in the section entitled "*Brokerage Practices*" below, there are no direct "soft dollar" arrangements for FFTW UK whereby transactions in client portfolios are used through commissions or dealing spreads to pay for research materials.

FFTW UK employs a wide range of tools, models and procedures to monitor and manage risk. Some of these software systems are proprietary, while others are purchased from vendors. We choose the best tool for the job, without regard to whether it is developed internally or externally. The tools utilised by FFTW UK include but are not limited to: Barclays Capital POINT, a sophisticated third-party risk measurement system that covers all the major asset classes, and can compute sensitivities, volatilities, VaR and stress tests, RiskMetrics<sup>TM</sup>, and Thinkfolio. Thinkfolio integrates with Sentinel, a compliance system that is managed and monitored by Compliance and which checks orders pre-execution to comply with internal portfolio rules and regulations to avoid breaches.

FFTW collects data from a variety of public and private sources, casting a fairly wide net. However, irrespective of the source, data is scrutinised and analysed internally with a high degree of rigor. It is our analysis of the data that adds value, not the source of the data. Duration, yield curve and sector allocations are generally driven by macroeconomic factors, and hence our decisions are generally based on publicly available information (e.g., the Bureau of Labor Statistics). Security selection decisions are generally based on purchased or proprietary models. Purchased models are not used "as is": FFTW makes proprietary modifications to them to reflect

our investment beliefs; further, all data used in these models has been evaluated and if necessary, modified, by proprietary analysis. Most importantly, models are seen as informative but not deterministic in making allocation decisions. FFTW realises that the inherent beauty in modelling (its succinct outputs) can become a shortcoming if there is an over-reliance on models in the investment decision-making process.

All investing involves a risk of loss and the investment strategy offered by FFTW UK could lose money over short or even long periods. No guarantee or representation is made that any of the investment programs offered by FFTW UK will achieve its investment objective. The description contained below is a brief overview of different investment risks related to FFTW UK's advisory services:

*Investing in securities is inherently risky:* An investment in individual securities or in a portfolio of securities could lose money. FFTW UK cannot give any guarantee that it will achieve its investment objectives or that any client will receive a return on or of its investment.

*Market Risk:* The investments may be subject to price volatility due to factors such as interest sensitivity, market perception, and creditworthiness of issuer and market liquidity. Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Different parts of the market can react differently to these developments. The value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole.

*Debt Securities Risk:* Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities.

*Liquidity Risk:* The liquidity of a portfolio's investment is inherently restricted by trading volumes in the securities in which the portfolio invests. A lower level of liquidity affecting an individual security or derivative, an entire market or several overseas markets at the same time, may have an adverse bearing on the value of the portfolio's assets. More importantly, this may affect the ability of the manager to sell particular securities and derivatives quickly enough to minimise impact cost, as and when necessary to meet requirements of liquidity or to sell securities in response to triggers such as a specific economic/corporate event. Trading volumes, settlement periods and transfer procedures may restrict the liquidity of a few or all of the investments and may affect the liquidity of the investments of the portfolio.

The manager may be unable to implement purchase or sale decisions for a portfolio when the markets turn illiquid, missing some investment opportunities or limiting ability to facilitate client withdrawals. The lack of liquidity could also lead to the risk that the sale price of a security could be substantially lower than the fair value of the security.

*Government Obligations Risk:* If a government-sponsored entity is unable to meet its obligations, the performance of a mutual fund that holds securities of the entity will be adversely impacted.

*Mortgage- and Asset-Backed Securities Risk:* Mortgage- and Asset-Backed securities risk includes Market Risk, Interest Rate Risk, Credit Risk, Prepayment Risk (*i.e.*, homeowners whose mortgages collateralise the securities held by certain mortgage-backed securities may be able to prepay principal due on these mortgages, which could cause such mortgage-backed securities to reinvest the proceeds at lower yields) as well as the risk that the structure of certain mortgage-backed securities may make their reaction to interest rates and other factors difficult to predict, making their prices very volatile. Under certain adverse market conditions, mortgage- and asset-backed securities may have more limited liquidity than usual.

*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, decline in the value of investments held by the issuer, increase in the operational and/or financing cost of the issuer, and reduced demand for the issuer's goods and services.

*Credit and Counterparty Risk:* There is a risk that issuers or counterparts will default and fail to repay principal and interest in a timely manner or do not fulfil their obligations and commitments. If the rating of an issue, issuer or a counterpart is downgraded this may cause the value of the related assets to fall. The severity of the risk varies depending on the quality of the issuer or counterpart. The assets can be partly invested in securities issued by corporate entities, bank, financial institution and/or public sector and this poses a higher risk than investment in government securities.

*Industry or Sector Emphasis Risk:* Investing a substantial portion of assets in related industries or sectors may have greater risks because companies in these industries or sectors may share common characteristics and may react similarly to market developments.

*Non-Diversification Risk:* Non-diversified portfolios have the ability to take larger positions in a smaller number of issuers than a diversified fund, which makes a non-diversified portfolio more susceptible to financial, economic or market events impacting such issuers, and a non-diversified portfolio's performance may be more volatile than the share price of a diversified fund.

*Management Risk:* Management risk means that your investment varies with the success and failure of FFTW UK's investment strategies and its analysis and determination of portfolio securities.

*Mutual Fund and ETF Trading Risk:* Where permitted by a client's investment guidelines, FFTW UK's portfolio managers may invest in mutual funds that are either open-end or closed-end investment companies as well as ETFs. ETFs are investment companies that are bought and sold on a national securities exchange. Unlike mutual funds, ETFs do not necessarily trade at the net asset values of their underlying securities, which means an ETF could potentially trade above or below the value of the underlying portfolios. As such, trading in ETFs is subject to (without limitation) similar risks as those of the listed stocks. Additionally, because ETFs trade like stocks

on exchanges, they are subject to trading and commission costs unlike mutual funds. Also, both mutual funds and ETFs have management fees that are part of their costs.

*Currency Risk:* Investments in foreign securities involve exposure to fluctuations in foreign currency exchange rates. Such fluctuations may reduce the value of a client's investment in a foreign security.

*Emerging Markets Risk:* Emerging markets may have obsolete financial systems and volatile currencies, and may be more sensitive than more mature markets to a variety of economic factors. Emerging market securities also may be less liquid than securities of more developed countries and could be difficult to sell, particularly during a market downturn.

*Foreign Investment Risk:* Foreign securities may be subject to more risks than domestic investments. These additional risks may potentially include lower liquidity, greater price volatility and risks related to adverse political, regulatory, market or economic developments. Foreign companies may also be subject to significantly higher levels of taxation than domestic companies, including potentially confiscatory levels of taxation, thereby reducing the earnings potential of such foreign companies.

*Leverage Risk:* Many financial instruments/positions offer clients opportunity to gain an exposure to leveraged positions that may benefit from magnified gains dependent on favourable movements in variables underlying the position. Any financial instruments/positions that offer the potential of magnified gains also pose the risk of magnified losses. As described above, leverage risk is most evident in (but not limited to) derivatives and structured products.

*Derivatives Risk:* When permitted by the investment guidelines of and regulations applicable to its clients, BNPP IP Singapore may use derivatives instruments, like Options, Futures, Warrants, Interest Rate Swaps, Forward Rate Agreements or other derivative instruments. Usage of derivatives will expose portfolios to certain risks inherent to such derivatives. Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself. There is a possibility that a loss may be sustained by a portfolio as a result of the failure of another party (usually referred to as the "counterparty") to comply with the terms of the derivatives contract. Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, interest rates and indices. Even a small price movement in the underlying instrument could have a large impact on their value. This could increase the volatility of the portfolio's performance.

Derivative products are leveraged instruments and increase the volatility of the portfolio's performance. The risks associated with the use of derivatives are different from or possibly greater than the risks associated with investing directly in securities and other traditional investments.

In the case of hedging, it is possible that derivative positions may not be perfectly in line with the underlying assets they are hedging. As a consequence, the derivative cannot be expected to

perfectly hedge the risk of the underlying assets. This also increases the volatility of the portfolio's performance.

*Operational Risk:* Operational risk addresses the risk of trading and back office or administration issues that may result in a loss to a portfolio. This could be the result of oversight, ineffective securities processing procedures, computer systems problems or human error. Some markets are less regulated than most of the international markets, hence, the services related to custody and liquidation for the portfolio on such markets could be more risky.

*Valuation Risk:* This risk relates to the fact that markets, in specific situations and due to lack of volumes of transactions, do not enable an accurate assessment of the fair value of invested assets. In such cases, valuation risk represents the possibility that, when a financial instrument matures or is sold in the market, the amount received is less than anticipated, incurring a loss to the portfolio and therefore impacting negatively the net asset value of the portfolio.

*Taxation Risk:* The value of an investment may be affected by the application of tax laws in various countries, including withholding tax, or changes in government or economic or monetary policy in the countries concerned. As such, no guarantee can be given that the financial objectives will actually be achieved.

## **Disciplinary Information**

From at least 2004 through 2012, BNPP knowingly and willfully moved over \$8.8 billion through the U.S. financial system on behalf of Sudanese, Iranian, and Cuban sanctioned entities, in violation of U.S. economic sanctions, including more than \$4.3 billion in transactions involving entities that were specifically designated by the U.S. Government as being cut off from the U.S. financial system. BNPP engaged in this criminal conduct through various sophisticated schemes designed to conceal from U.S. regulators the true nature of the illicit transactions. On 30 June, 2014, the U.S. Department of Justice (the "Department of Justice") and the Office of the U.S. Attorney for the Southern District of New York (the "SDNY", and together with the Department of Justice, the "DOJ") filed a notice of intent to file a one-count criminal information in the District Court for the Southern District of New York (the "District Court"), and the New York County District Attorney's Office ("DANY") filed a two-count criminal information in the Supreme Court of the State of New York, County of New York (the "Supreme Court") against BNPP. The DOJ's information, which was filed on 9 July, 2014, charged BNPP with conspiracy to commit violations of the International Emergency Economic Powers Act and the Trading with the Enemy Act, and regulations issued thereunder. DANY's information charged BNPP with the crime of falsifying business records in the first degree and conspiracy in the fifth degree. BNPP agreed to resolve the action brought by DANY through a plea agreement dated 30 June, 2014 and the action brought by the DOJ through a plea agreement dated 28 June, 2014 (the "Plea Agreements"). The Plea Agreements required BNPP to plead guilty to the charges set out in the respective informations and to pay over \$6.2 billion to the U.S. and New York state governments. The Plea Agreements also required BNPP to lawfully undertake certain remedial actions to address the conduct described in the Plea Agreements and the attachments thereto (the "Conduct"). On April 15, 2015, BNPP was sentenced by the Supreme Court to a three-year conditional discharge, in line with the DANY Plea Agreement, while requiring BNPP to implement compliance procedures and training, among other things. On May 1, 2015, the District

Court entered a final judgment of conviction against BNPP, while requiring remedies that are materially the same as those set forth in the DOJ Plea Agreement, including a term of probation of five years and an obligation of continued cooperation.

BNPP also entered into regulatory settlements relating to the Conduct. BNPP agreed to enter into a Cease and Desist Order Issued Upon Consent with the Board of Governors of the Federal Reserve System (the “Federal Reserve”) and the French Autorité de Contrôle Prudentiel et de Résolution (the “ACPR”) to resolve certain findings by the Federal Reserve and ACPR relating to the Conduct. BNPP also agreed to enter into an Order to Cease and Desist and Order of Assessment of a Civil Money Penalty Issued Upon Consent with the Federal Reserve to resolve certain findings by the Federal Reserve relating to the Conduct. BNPP and the New York State Department of Financial Services (the “DFS”) entered into a Consent Order to resolve certain findings by the DFS relating to the Conduct. Additionally, BNPP entered into a Settlement Agreement with the United States Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) to resolve certain findings by OFAC relating to the Conduct. The settlement with the Federal Reserve required BNPP to pay \$508 million to the Federal Reserve, while the settlement with the DFS required BNPP to pay \$2.2434 billion to the DFS.

In advance of the formal pleas, counsel to BNPP had discussions with the SEC as well as the U.S. Department of Labor (the “DOL”) to request relief enabling BNPP’s investment advisory and other affiliates to continue to provide uninterrupted advisory services to certain classes of clients. The SEC has granted a Temporary Order permitting BNPP’s registered investment advisory affiliates to continue to provide advisory services to U.S. registered investment companies. BNPP also submitted a request to the DOL seeking an exemption permitting certain BNPP investment advisory and other affiliates to retain their status as Qualified Professional Asset Managers.

Neither FFTW UK nor any other affiliate of BNPP registered with the SEC as an investment adviser under the Investment Advisers Act of 1940 or a broker-dealer under the Securities Exchange Act of 1934 was named in any of these settlements or involved in the Conduct underlying these settlements. FFTW UK is committed to observing the highest standards of integrity and regulatory compliance in all aspects of its work.

FFTW UK and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client’s evaluation of the company or its personnel.

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

FFTW UK is a subsidiary of BNPP, a publicly owned bank organized in France engaged in global financial activities. Since FFTW UK is a subsidiary of a global financial organization, it has arrangements with companies that are under common control of BNPP. The description below provides an overview of relationships with other businesses affiliated with FFTW UK that are considered material to its advisory business.

*BNP Paribas Investment Partners:* As part of a global strategy, BNPP’s asset management division has been branded as BNP Paribas Investment Partners. BNPP IP includes, those various asset managers which comprise BNPP’s asset management business line. A list of the individual BNPP IP asset managers is available upon request. BNPP IP is not itself an investment adviser

registered with the SEC; rather, clients will directly contract with individual asset management firms that may be regulated in the U.S. or in jurisdictions external to the U.S.

FFTW UK has arrangements that are material to its advisory business with the following BNPP IP investment advisers that are registered with the SEC:

- i) Fischer Francis Trees & Watts Inc
- ii) BNP Paribas Investment Partners UK Ltd
- iii) BNP Paribas Investment Partners Singapore Limited
- iv) BNP Paribas Asset Management Inc

Please note that Fischer Francis Trees & Watts Inc. is registered as a commodity pool operator and a commodity trading advisor with the U.S. Commodity Futures Trading Commission and is a member of the National Futures Association.

FFTW UK may from time to time enter into business relationships with other BNPP IP companies as a sub-manager for client portfolios or funds for which another BNPP IP company acts as manager. From time to time prospective clients may be directly introduced to FFTW UK by other BNPP IP companies. In such instances, FFTW UK and the relevant BNPP IP company will negotiate fee sharing arrangements on a case by case basis.

FFTW UK shares office space with certain other BNPP IP companies in compliance with applicable regulation and with the appropriate supervision by legal and compliance personnel. FFTW UK has adopted strict policies and procedures to ensure protection of confidential information relating to its clients. The informational barriers procedures apply to all employees of each affiliated investment adviser. All employees must take all reasonable steps to protect confidential information and to restrict its flow to any other investment adviser or any employee of any other adviser. All employees are required to read and certify compliance with these procedures. FFTW UK and BNP Paribas Investment Partners UK Ltd, which are both SEC Registered, share office space and supervised persons. Both firms operate under the same policies and procedures and Code of Ethics and their employees are Access Persons of the respective firms. Certain areas of information and information barriers are in place where appropriate to meet certain client confidentiality and related requirements.

Outsourcing: FFTW UK operates as an investment center and as such outsources a number of its support and operational functions to other entities within BNPP. A summary of these outsourcing arrangements is provided below:

- i) Services in respect of Finance, Tax, Compliance, Legal / Company Secretarial, Human Resources, Facilities, Business Continuity, IT, Risk, Permanent Control (Operational Risk), are provided by BNP Paribas Investment Partners UK Ltd. All services are covered by a Service Level Agreement.
- ii) Dealing services for non-U.S. clients of FFTW UK are provided BNP Paribas Dealing Services. These services are covered by a Service Level Agreement.
- iii) Services in respect of trade support, trade processing and client reporting and performance are provided by BNP Paribas Security Services. All services are covered by Service Level Agreements.



In addition to the services described above, FFTW UK also delegates the portfolio management of certain mandates to Fischer Francis Trees & Watts, Inc. and to BNP Paribas Investment Partners Singapore Limited.

*BNP Paribas:* BNPP, its affiliates and their directors, partners, trustees, members, officers and employees are engaged in businesses and have interests which may conflict with the business activities of FFTW UK. These activities and interests include potential multiple advisory, transactional and financial and other interests in securities, instruments and companies.

As previously noted above, BNPP is a full service financial services institution and a major participant in global financial markets. As such, it acts as an investor, investment banker, research provider, investment manager, financier, adviser, market maker, trader, prime broker, lender, agent and principal, and has other direct and indirect interests, in the global fixed income, currency, commodity, and other markets in which FFTW UK directly and indirectly invests on behalf of client portfolios. FFTW UK will make decisions for client portfolios in accordance with its fiduciary responsibilities; however, the potential business relationships, fees, compensation and other benefits to BNPP may, in certain cases, give rise to certain potential conflicts of interest. FFTW UK will use its best efforts to minimise the potential for conflicts of interest arising due to its relationship with BNPP and has policies and procedures in place to ensure that its clients' interests are prioritised.

As a global financial institution, BNPP's business includes brokerage and capital market activities both domestically and in foreign jurisdictions. As such it carries out routine broker dealer and investment banking functions in compliance with local laws and regulations. Notwithstanding, FFTW UK does not act as broker or principal in the purchase of securities for transactions with its clients.

FFTW UK and its affiliates, under common control by BNPP, may invest their capital for their own account in co-mingled investment vehicles for which FFTW UK provides investment management services. In such cases, FFTW UK and its affiliates maintain policies to prevent conflicts of interest harmful to its clients.

Certain persons providing services to FFTW UK may be employed by or also providing services to FFTW UK's affiliates under common control by BNPP. For example, our Chief Compliance Officer is also the chief compliance officer of BNP Paribas Investment Partners UK Ltd, BNP Paribas Investment Partners Singapore Ltd, and FFTW, Inc. In addition, the FFTW investment teams within FFTW, Inc, FFTW UK and Fischer Francis Trees & Watts Singapore have the same Global Chief Investment Officer. Any such provision of services would be undertaken in compliance with applicable regulation and the appropriate supervision of compliance personnel.

*Other Conflicts of Interest:* As discussed in the section entitled "*Performance Based Fees and Side-by-Side Management*" above, FFTW UK may recommend that certain clients invest in co-mingled vehicles for which it acts as investment adviser or sub-adviser or for which another BNPP IP company acts as investment adviser or sub-adviser. Recommendations to these clients to use these affiliated commingled vehicles are made solely to enhance overall investment returns,

to improve investment offerings, and to allow clients to participate in certain investment opportunities that would otherwise not be available or economic on a separate account basis. FFTW UK places assets of its clients in such vehicles only if the client authorises such use. Fees charged by FFTW UK are specified in a client's investment management agreement.

FFTW UK and its respective officers and employees act and continue to act as investment advisers and managers for multiple clients, and may choose to act as investors on their own behalf, notwithstanding that FFTW UK has directly or indirectly material interests or relationships which may involve conflicts or potential conflicts with FFTW UK's duty to its clients.

FFTW UK's officers, directors, and employees may be asked to serve as directors, advisers, or in other forms of participation in other companies or organisations, some of which may be affiliates of FFTW UK under common control by BNPP. Since such commitments can involve substantial responsibilities and potential conflicts of interest or the appearance of such conflicts, prior approval of both senior management and compliance must be obtained in respect of external appointments. For appointments to affiliates of FFTW UK, senior management must be sought before accepting such a position and compliance personnel must be advised of all such appointments.

FFTW UK is required to treat its clients fairly and to take all reasonable steps to ensure that clients do not suffer any detriment in relation to such conflicts of interest or material interests as described above. To meet this requirement, FFTW UK ensures that it has taken all reasonable steps to identify conflicts of interest or material interests and has in place adequate policies and procedures to protect its client interests and manage such conflicts or material interests, including drawing to its clients' attention to the possibility of such conflicts. Such policies and procedures include, but are not limited to FFTW UK's Code of Ethics, personal trading policies, trade aggregation and allocation policies, policies governing outside business activities and gifts and entertainment, as well as a Conflicts of Interest Policy which includes an informational barriers policy.

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

FFTW UK has adopted a Code of Ethics which mandates high standards of business conduct and professionalism and establishes rules of conduct for its employees. FFTW UK's Code of Ethics is intended, among other things, to ensure that personal investing activities by FFTW UK's employees are consistent with FFTW UK's fiduciary duty to its clients. The Code of Ethics requires employees to obtain pre-approval for certain transactions, including but not limited to, fixed-income securities, equity transactions, derivatives transactions, exchange traded futures and options contracts, acquisitions in initial public offerings and acquisitions of shares in funds advised or sub-advised by FFTW UK or by another BNPP IP company. Additionally, FFTW UK's employees must adhere to other personal investment policies which are specifically described in the Code of Ethics. FFTW UK's employees may own securities which may be or could be held for clients. FFTW UK's policy is that all employee transactions in any securities which are also eligible for client accounts must be specifically approved in advance. The Code prohibits FFTW UK's employees from trading on material non-public information. All of FFTW UK's employees are required to provide Initial and Annual Personal Holdings Reports. Quarterly

reporting of personal securities transactions is also required. FFTW UK will provide a copy of its Code of Ethics to any client or prospective client upon request.

As described above, upon prior approval, from time to time FFTW UK's employees may buy and sell securities for themselves that are also recommended to clients. In such instances, transactions may not be in amounts that will have a material effect upon the price or trading volume of a particular security and are always subject to the prohibition from trading on nonpublic information. Employees may not buy or sell securities for their own personal accounts where their decision is substantially derived, in whole or in part, by reason of their association with FFTW UK unless the information is also available to the investing public on reasonable inquiry.

Additional restrictions applicable to those staff members undertaking portfolio management or dealing activity (including desk assistants) and their managers:

- Generally, staff members responsible for portfolio management may not transact directly in securities, ETFs or derivatives traded in the portfolios they manage. Similarly, traders who provide a dealing service must abide by the same rules.

Exceptions to the general rule are:

- Investment Grade Government Bonds;
- Equities, with supervisory and Compliance approval.
- Investments in mutual funds and discretionary accounts do not require pre-approval unless such funds or accounts are managed by BNPP in which case pre-approval must be received.
- Managers of portfolio management staff are also prohibited from carrying out transactions in securities or derivatives which are traded in the portfolios of their subordinates.

Employees are required to disclose individual security transactions on a quarterly basis to FFTW UK.

FFTW UK may be subject to potential conflicts of interest when making investment decisions for clients, and such conflicts can affect its objectivity. There is a financial interest to recommend products or services offered by other companies that are under common control. By conducting business with companies affiliated with us, we are able to increase the overall profitability for the parent company. For information on affiliates of FFTW UK under common control by BNPP and a description of the conflicts of interest see section entitled “*Other Financial Industry Activities and Affiliations.*”

## **Brokerage Practices**

Counterparty Selection: For FFTW UK, the bodies authorized to approve, decline or remove counterparties/brokers on the authorised Global Counterparty List (GCL) are the Global Counterparty Committee (GCC) and/or one of the Regional Broker Committees (RBC) as appropriate. RBC's benefit from a delegated authority from GCC to leverage local knowledge and relationships for the approval of DVP brokers only. GCC has the authority to overturn RBC decisions.

The objective for GCC/RBC is to examine all elements of the risk/reward matrix to determine the appropriateness of each counterparty or broker for inclusion on the approved list. Particular focus is given to the creditworthiness, operational efficiency, best execution capabilities and relationship value of the counterparty.

The business may propose new counterparties/brokers. Such proposals need to be supported by both the Chief Investment Officer of the relevant business line as well as the appropriate Head of Dealing. For each new proposal, a fully completed application form is required, detailing the business case, legal entity, contact details etc. For Counterparty relationships, Credit Risk must also perform a risk analysis commensurate with the anticipated risk profile.

GCC has minimum counterparty rating standards which can only be changed upwards for counterparties. In the event of a split rating the lowest rating will be used. OTC transactions must be documented under an ISDA plus a Credit Support Annex (CSA) where possible. DVP brokers are not subject to the same level of scrutiny in consideration of the short term and relatively benign nature of the product being traded. However, GCC & RBC are required to consider the integrity of the operating and settlement environment of the DVP activity as well as the creditworthiness of the counterparty/broker.

Temporary dealing may be approved on a one-off basis subject to Straight Through Processing (“STP”) compatibility where liquidity or best execution demands require it.

Where a counterparty or broker is specified by a client as a preferred entity then even if this name is not on the GCL, it can be approved for use in respect of this client only. This approval is subject to the very strict understanding that this requirement must be documented in writing by the client with a clear statement to the effect that the client understands that it takes full responsibility for this selection.

**Best Execution:** All transactions executed in over-the-counter markets are executed on a net price basis. As a matter of policy FFTW UK will only enter into cross transactions on an exceptional basis where such transactions are in the best interests of its clients taking full account of any conflicts of interest and ensuring these are properly addressed. Cross transactions must be formally approved by the Head of Compliance or their delegate prior to execution.

All trades are executed with counterparties which are approved by FFTW UK in accordance with the process described above, selected in a manner consistent with seeking best execution. No concessions on prices are made to any dealer by reason of services performed or offered to be performed, or goods supplied or offered to be supplied. In addition to the gross dealing price, FFTW UK takes into account the level of charges, mark up or mark down made by the counterparty and the creditworthiness of the counterparty.

**Affiliated Transactions:** FFTW UK may recommend purchases of securities in primary offerings where a Related Person is a member of the underwriting syndicate. FFTW UK may effect transactions with BNPP or its affiliates as a dealer unless such transactions with Related Parties are not permitted by the client. In respect of any US Clients, FFTW UK would obtain specific permission from the client for such transactions with Related Parties. Any such transactions are

conducted on an arms length basis and are strictly subject to the principle that FFTW UK must always act in its clients' best interests and transaction must be in accordance with the FFTW UK's Best Execution Policy.

*Soft Dollars:* FFTW UK does not enter into any soft-dollar arrangements with its brokers. FFTW UK bears the cost of any additional research and does not direct any trading activity in lieu of payment for research or other resources.

*Trade Aggregation and Trade Allocation:* As an adviser and fiduciary to our clients, FFTW UK places its clients' interests first and foremost. Consistent with this fiduciary duty, FFTW UK's trading procedures seek to ensure that all clients are treated fairly and equitably and that no client account is advantaged or disadvantaged over another. In furtherance of this policy, when the same securities are purchased or sold for one or more of FFTW UK's client accounts, FFTW UK's general policy is to, when possible, purchase or sell the securities as a block transaction, and to allocate such securities or proceeds for the participating accounts at the price paid per unit allocated.

In allocating the securities, the principles employed are 1) allocation of each investment decision to each individual account shall be broadly determined with respect to the investment guidelines and investment policy applying to each individual account; (2) dealing for different clients in the same security and at the same time shall be aggregated and traded as a block to the extent possible; and 3) each aggregate allocation shall be allocated at the unit price paid to all participating accounts. Aggregated transactions are allocated fairly and equitably among eligible clients.

## **Review of Accounts**

FFTW UK assigns a portfolio manager with supervisory responsibility for each client portfolio. The selection and trading of positions are generated by the specialist portfolio managers and executed by a separate dealing desk. The portfolio manager monitors account objectives and guidelines, as well as communicating with each client on a continuous basis.

For those accounts managed in the UK, the Investment Compliance teams provide an independent check of all clients' compliance with their respective investment guidelines. The primary tool used for pre and post-compliance checks in the UK is Sentinel, a Latenzero Fidessa product. Sentinel enables Investment Compliance to monitor any pre and post-trade breaches and to notify relevant parties in a timely manner for action. Post trade controls are performed daily on Sentinel which performs a check using the updated prices for that day taking into account intra-day asset movements. Any breaches identified are notified immediately to the portfolio managers and to UK Compliance. Any breaches not rectified within internal or client requirements are escalated to senior management.

Client portfolio and transaction records are maintained using computerised accounting systems. Information on all trades is provided to clients upon request. FFTW UK provides clients with a review of account holdings and/or performance results on a quarterly basis, although other schedules may be arranged.

Standard reports typically cover the following:

- i) investment returns for the portfolio and its performance benchmark for up to ten years or since inception, whichever is shorter;
- ii) a summary of market developments, portfolio activity and current investment strategy;
- iii) a listing of portfolio assets; and
- iv) a compilation of all transactions.

## **Client Referrals and Other Compensation**

From time to time, FFTW UK may enter into arrangements with individuals and organizations pursuant to which each has agreed to introduce FFTW UK to certain US and non-US clients who may be interested in FFTW UK's investment management services. These individuals and organisations would be contracted or employed as consultants and advisers to FFTW UK in connection with the marketing of FFTW UK's investment management services. Compensation may vary for each consultant. In such cases, pursuant to Rule 206 (4)-3 of the SEC Rules under the Investment Advisors Act of 1940, where cash payments are made for solicitation, FFTW UK would implement a written agreement binding the solicitor to comply with the 1940 Act and Rules and requiring delivery to the client of (a) Part 2 of FFTW UK's Form ADV and (b) a written fee sharing disclosure statement meeting the requirements of the Rule. All such arrangements would also be subject to and must adhere to UK regulatory requirements under the rules of the Financial Conduct Authority.

## **Custody**

Custody is defined as any legal or actual ability by FFTW UK to access client funds or securities. Since all client funds and securities are maintained with a qualified custodian, FFTW UK does not take physical possession nor does it have the authority to take possession of client assets.

However, under the current SEC rules, FFTW UK is deemed to have custody of certain client assets solely by virtue of the fact that the qualified custodian is a member of the larger BNPP group. Therefore, we urge all of our clients to carefully review and compare their quarterly reviews of account holdings and/or performance results received from us to those they receive from their custodian.

FFTW UK has implemented policies and procedures to govern those instances where the custodian of a client is a related person of FFTW UK (i.e. a person directly or indirectly controlling or controlled by FFTW UK or a person under common control with FFTW UK). In accordance with those policies and procedures, FFTW UK maintains a copy of the internal control report (SSAE 16 audit or equivalent document) of the related person and prepares an internal memorandum to evidence that the related person is operationally independent of FFTW UK. The related person is operationally independent of FFTW UK if the following four criteria are satisfied and no other circumstances can reasonably be expected to compromise the operational independence of the related person:

- i) client assets in the custody of the related person may not be subject to the claims of FFTW UK's creditors;
- ii) FFTW UK's personnel may not have custody, possession, or access to client assets, or the power to dispose of client assets to third parties for the benefit of FFTW UK or the related person, or otherwise have the opportunity to misappropriate client assets;
- iii) FFTW UK's personnel and personnel of the related person who have access to advisory client assets are not under common supervision; and
- iv) FFTW UK's personnel may not hold any position with the related person or share premises with the related person.

## **Investment Discretion**

FFTW UK typically manages client accounts on a discretionary basis, subject to the restrictions that have been provided by clients. These investment guidelines are established with each of FFTW UK's clients, stipulating various limits governing the management of each portfolio, including eligible securities and maximum commitments. Within the guidelines, FFTW UK may execute trades without further authority. Trades are executed with those dealers or other financial institutions which, in FFTW UK's judgment, offer the most favourable terms for its clients. Fixed-income securities are traded predominantly with dealers at net prices without commissions. When FFTW UK utilises brokerage services, such as for exchange-traded futures contracts, the reasonableness of the commission paid to brokers is evaluated on basis of the amount of commissions in relation to the execution services rendered. Clients of FFTW UK may specify a subset of dealers or financial intermediaries in its guidelines which may be utilised for its portfolio, or similarly provide a minimum credit rating to which FFTW UK must adhere in selecting a dealer or financial intermediary.

## **Voting Client Securities**

As required under the UK Financial Conduct Authority (FCA) rules, BNPP IP UK (which includes FFTW UK) has issued a Statement of Compliance with the UK Stewardship Code which is available on the UK website ([http://www.bnpparibas-ip.co.uk/central/about-us/voting-policy.page?l=eng&p=IP\\_UK-NSG](http://www.bnpparibas-ip.co.uk/central/about-us/voting-policy.page?l=eng&p=IP_UK-NSG)).

BNPP IP UK will exercise discretionary voting authority over proxies issued on securities held in client accounts unless voting authority has been reserved explicitly by the client or assigned to another party by the governing account documents. FFTW UK's Proxy Voting Guidelines govern its proxy voting activities and which includes the operation of a global Proxy Voting Committee that oversees its global proxy voting activities. This Committee has hired Institutional Shareholder Services ("ISS") as its voting agent. This Committee has provided ISS with a global proxy voting policy for all portfolios. ISS tracks and receives proxies to which clients are entitled, makes recommendations pursuant to the proxy voting policy provided by the Proxy Voting Committee or, if the ballot item is not addressed by the global proxy voting policy, makes recommendations according to the ISS voting policy.

FFTW UK's policy is to follow the recommendations of its global proxy voting policy. However, the Firm's portfolio managers or analysts may request an override of a Proxy Voting Committee or ISS recommendation if they believe that the recommendation is not in the best interests of the

client. In such cases, a process is followed to review and approve a vote other than that recommended by the global proxy voting policy or the ISS voting policy. Based on this process the proxy voting team will execute the votes on the ISS voting platform.

Additionally, there may be instances where FFTW UK or its personnel are subject to conflicts of interest in the voting of proxies. Conflicts of interest may exist, for example, due to personal or family relationships of personnel or when FFTW UK or an affiliate has a business relationship with, or is soliciting business from, the issuing company (or an employee group of a company) or a third party that is a proponent of a particular outcome on a proxy issue. In cases where it believes there may be an actual or perceived conflict of interest, additional review and steps may be taken including obtaining the prior approval of Compliance or Legal, obtaining the Proxy Voting Committee review or approval, deferring to the voting recommendation of a third party, voting pursuant to client direction (following disclosure of the conflict), abstaining from voting, voting reflectively (in the same proportion and manner as other shareholders) or taking such other action as necessary to protect the interests of clients.

In many non-U.S. markets, shareholders may be prevented from selling shares within a certain period of time prior to the meeting date (commonly referred to as share blocking). In such cases the FFTW UK compares the benefits to its clients expected to be derived from the voting of blocked shares versus the ability to sell the blocked shares and as a result may choose not to vote the shares. FFTW UK may also choose not to vote non-US proxies when the actual costs of voting the shares outweigh the perceived client benefit, such as cases where traveling to the country to vote the shares in person is required. Additionally, where clients have implemented securities lending programs, FFTW UK will be unable to vote proxies for securities on loan unless it issues instructions to the client custodian to retrieve the securities prior to record date. FFTW UK may choose to refrain from calling back such securities when the voting of the proxy is not deemed to be material or the benefits of voting do not outweigh the cost of terminating the particular lending arrangement.

Although FFTW UK generally votes consistently on the same issue when securities are held in multiple client accounts, certain circumstances may cause FFTW UK to vote differently for different client accounts.

Typically, clients do not direct FFTW UK to vote for a particular solicitation as they authorise the Company to vote on their behalf within their investment management agreement. Clients may, however, contact the Company if they request a specific voting decision be made.

Clients may obtain information on how the Company has voted its proxies and/or a copy of the Company's complete proxy voting policies and procedures by contacting the Company's Compliance Department.

Upon request, clients may obtain information on how FFTW UK has voted its proxies and/or a copy of FFTW UK's complete proxy voting policies and procedures.



## **Financial Information**

FFTW UK has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.