

QS BATTERYMARCH FINANCIAL MANAGEMENT, INC.

Form ADV Part 2A Brochure

June 26, 2015

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This Brochure provides information about the qualifications and business practices of QS Batterymarch Financial Management, Inc. (“QS Batterymarch”). QS Batterymarch is a registered investment adviser with the United States Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940, as amended (“Advisers Act”). Registration as an investment adviser does not imply a certain level of skill or training. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

If you have any questions about the contents of this Brochure, please contact us at 212-886-9200. Additional information about QS Batterymarch is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

We last filed our Brochure with the SEC on July 1, 2014. There have been no material changes made to this Brochure since our last annual updating amendment dated June 6, 2014.

Consistent with SEC regulations, we will either deliver, free of charge, to each client within 120 days of our fiscal year-end (March 31): (a) an annual update of our Brochure, which includes a summary of material changes; or (b) a separate, stand-alone summary of material changes made to our Brochure that includes an offer to provide a copy of the updated Brochure. We may also, at any time, update our Brochure and send you a copy by electronic mail or in hard copy form or provide you with interim disclosures about certain material changes we have made to the Brochure.

You should carefully review this Brochure and address any questions to a client service representative. Client service representatives may be reached at the phone number identified on the cover page of this Brochure.

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Item 4 – Advisory Business

QS Batterymarch was founded in 1969 and has been a wholly owned, independently operated subsidiary of Legg Mason, Inc. (“Legg Mason”) since 1995. Legg Mason’s common stock is traded on the New York Stock Exchange (symbol: LM).

On May 30, 2014, Legg Mason completed its acquisition of QS Investors, LLC (“QS Investors”), a registered investment adviser based in New York City. Legg Mason intends to integrate QS Batterymarch and QS Legg Mason Global Asset Allocation, LLC, which also is a subsidiary of Legg Mason, into QS Investors over time with the goal of creating a combined investment platform with investment solutions, quantitative equity and multi-manager asset allocation capabilities. Effective as of May 30, 2014, QS Investors, QS Batterymarch and QS LMGAA became subject to common management and investment oversight. Please see Item 10 for more information.

QS Batterymarch provides investment advisory and sub-advisory services across a wide range of equity asset classes, including US and non-US securities, in developed and emerging markets. Our strategies generally invest in publicly traded equities. We provide these services primarily on a discretionary basis, although in some cases on a non-discretionary basis. As of March 31, 2015, QS Batterymarch had \$8,060.9 million in assets under management, all managed on a discretionary basis.

Our investment advice and portfolio decisions for client accounts are based on their specific mandates and each client’s investment objectives. As described in Item 16, discretionary clients may impose specific investment guidelines for their accounts, outlined in their advisory contracts, including restrictions on certain securities or types of securities.

QS Batterymarch’s clients are primarily institutions that invest through separately managed accounts as well as mutual funds and pooled investment vehicles sponsored by us, our affiliates or third parties, including non-US domiciled funds and private investment “hedge fund” type vehicles (collectively referred to as “commingled funds”). See Item 7 for more information about the types of clients to whom we typically provide investment advice.

Using quantitative techniques, we apply traditional fundamental principles to equity research and management. Our investment professionals are organized into investment teams, each under the direction of a team leader. As part of our team approach, our portfolio managers work collaboratively and share responsibility for investment decisions. They oversee all aspects of the investment process, including stock selection and portfolio construction, and are responsible for reviewing all trade decisions prior to execution. Together with our research analysts, the portfolio managers perform research in the development and enhancement of the models that drive our investment process.

We believe one of our competitive advantages is that we are not quantitative “black box” investors who rely on statistical anomalies to identify stocks and blindly “bet their models.” Rather, we identify and analyze stocks from a bottom-up perspective using quantitative

techniques in combination with fundamental insights provided by portfolio managers and analysts. We believe this approach provides us with several key advantages over competitors:

- Our investment process is built on a global quantitative platform that is customizable for the specific requirements and characteristics of the markets, sectors and regions in which we invest;
- Our research is structured to foster communication and information exchanges between investment professionals. Research is focused on three distinct areas: alpha generation, risk control and trading. The structure of our team-based research is designed to ensure that we get the best thinking of the entire group working collaboratively to improve our overall investment process across investment teams;
- Our quantitative process also allows us to analyze many more companies than can be effectively covered by conventional fundamentally-based managers, using a consistent set of metrics; and
- We analyze stocks from multiple viewpoints, such as region/country, economic sector (industry group) and market cap. By incorporating diverse perspectives, we can develop a more complete picture of each stock's attractiveness.

Unlike many other quantitative managers, our core investment process does not have any specific tilt toward growth or value, and is designed to avoid style bias, which can cause systematic underperformance in market environments not favoring a particular style.

QS Batterymarch offers a range of strategies to meet client objectives, including the following:

Traditional Strategies

- Global Equity
- Global Small Capitalization Equity
- International Equity
- International Small Capitalization Equity
- US Large Capitalization Equity
- US MidCapitalization Equity
- US Small Capitalization Equity

Solutions-Based Strategies

- Global Environmental, Social and Governance Equity
- Global Inflation-Sensitive Equity
- Global Managed Volatility Equity Income
- International Managed Volatility Equity Income
- Regional Managed Volatility Equity Income (such as Asia Pacific ex-Japan, Europe, Europe ex-UK, UK)
- US Large Capitalization Managed Volatility Equity Income
- Global Emerging Markets Managed Volatility Equity Income
- Global Market Neutral Equity

The majority of our investment strategies are characterized by rigorous, bottom-up stock selection and integrated, objective-based risk control. See Item 8 for additional information about our methods of analysis and investment strategies.

Item 5 – Fees and Compensation

Fee Schedules

QS Batterymarch offers fee schedules based on assets under management or a combination of assets under management and investment performance. See Item 6 for disclosures about performance-based fee arrangements.

In general, advisory fees are billed quarterly in arrears based on the market value of assets under management on the last business day of the quarter or an average of assets under management during the quarter. Advisory fees may also be billed or be otherwise payable on another basis upon agreement with the client, such as monthly or in advance. If our advisory services begin after the first day of a billing period or end before the last day of the period, advisory fees are prorated. Fees are also prorated during billing periods in which clients have added or withdrawn assets (other than immaterial amounts) based on the number of days during the period those assets were managed. A client may be billed directly or they may authorize their chosen custodian to debit fees from their account upon receipt of a fee invoice from us. We do not deduct fees directly from client accounts.

Clients may terminate their advisory contracts by notifying us in writing. Upon termination of an account (the date that QS Batterymarch ceases management of the portfolio) or the withdrawal of assets, we will promptly refund the prorated, unearned portion of any advance payment received, based on the number of days remaining in the billing period.

We offer the following standard annualized fee schedules for the management of separate-account portfolios, with fees based on the market value of assets under management:

- *Global Equity*
0.65% on the first \$20 million under management;
0.50% on the next \$80 million under management; and
0.45% over \$100 million under management.
- *Global Small Capitalization Equity*
1.00% on the first \$25 million under management;
0.85% on the next \$25 million under management; and
0.70% over \$50 million under management.
- *International Equity*
0.65% on the first \$20 million under management;
0.45% on the next \$30 million under management; and
0.35% over \$50 million under management.
- *International Small Capitalization Equity*
1.00% on the first \$25 million under management;
0.85% on the next \$25 million under management; and
0.70% over \$50 million under management.

- *US Large Capitalization Equity*
0.65% on the first \$20 million under management;
0.35% on the next \$30 million under management; and
0.25% over \$50 million under management.
- *US MidCapitalization Equity*
0.65% on the first \$20 million under management;
0.35% on the next \$30 million under management; and
0.25% over \$50 million under management.
- *US Small Capitalization Equity*
1.00% on the first \$25 million under management;
0.85% on the next \$25 million under management; and
0.70% over \$50 million under management.
- *Global Environmental, Social and Governance Equity*
0.65% on the first \$20 million under management;
0.50% on the next \$80 million under management; and
0.45% over \$100 million under management.
- *Global Inflation-Sensitive Equity*
0.65% on the first \$20 million under management;
0.50% on the next \$80 million under management; and
0.45% over \$100 million under management.
- *Global Managed Volatility Equity Income*
0.65% on the first \$20 million under management;
0.50% on the next \$80 million under management; and
0.45% over \$100 million under management.
- *International Managed Volatility Equity Income*
0.65% on the first \$20 million under management;
0.45% on the next \$30 million under management; and
0.35% over \$50 million under management.
- *US Large Capitalization Managed Volatility Equity Income*
0.65% on the first \$20 million under management;
0.35% on the next \$30 million under management; and
0.25% over \$50 million under management.
- *Global Emerging Markets Managed Volatility Equity Income*
1.00% of assets under management.
- *Global Market Neutral Equity*
1.00% of assets under management; plus
20.00% of positive performance.

Depending upon the size of the portfolio or relationship, separate-account portfolios managed under these strategies may be subject to a minimum fee of \$32,500 per quarter.

We also manage other specialized portfolios and serve as investment manager or sub-adviser for various commingled funds (including mutual funds). The fee schedules for some of these strategies or products may be higher or lower than those reflected above.

In certain situations, QS Batterymarch and a client may negotiate a management fee that has different terms or is lower than the standard fees shown above. For example, we may waive or charge lower management fees to investors that seed an investment strategy. We may also waive or charge lower management fees to current and former employees, their family members, and affiliated companies and their employees who invest in a commingled fund for which we act as general partner or managing member.

Neither QS Batterymarch nor our employees accept third-party compensation, including asset-based sales charges or service fees, for the sale of securities or other investment products.

Other Types of Fees and Expenses

QS Batterymarch's fee schedules reflect only the advisory fees payable to us and do not reflect fees or expenses related to the day-to-day management of a client account. These other fees and expenses, payable to other parties, may include, but are not necessarily limited to, custodian fees, brokerage commissions, transaction fees, transfer and other taxes, exchange fees, regulatory fees and fees for professional services such as audit, tax and legal services. These other fees and expenses are the sole responsibility of each client. QS Batterymarch does not receive any portion of these other fees and expenses.

Each commingled fund bears its own expenses. Details regarding fees payable to QS Batterymarch, our affiliates or third parties associated with investments in these funds can be found in each fund's governing documents (prospectus, confidential offering memorandum or limited partnership agreement). Any information about commingled funds in this Brochure is superseded by that in the fund's governing documents.

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

Performance-Based Fee Arrangements

A conflict of interest may arise where the financial or other benefits available to QS Batterymarch or a portfolio manager differ among the accounts under our management. For example, when an account pays, or has the potential to pay, greater management fees than others, such as performance-based management fees, there may be a motivation to favor that account over others.

QS Batterymarch manages some accounts under performance-based fee arrangements whose terms are negotiated with clients on a case-by-case basis, subject to Section 205(a)(1) of the Advisers Act, in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

QS Batterymarch's compensation may be higher under performance-based fee arrangements than under fee arrangements based solely on assets under management. Therefore these arrangements may create an incentive for QS Batterymarch to recommend riskier or more speculative investments or to allocate investments with greater return potential to accounts paying performance fees.

QS Batterymarch's quantitative investment process and operational procedures are designed and implemented to ensure that all accounts are treated fairly regardless of fee structure and to ensure that performance-based fee arrangements do not influence the allocation of investment opportunities among accounts. See Item 12 for a description of QS Batterymarch's trade aggregation and allocation procedures.

In addition, our investment professionals are not compensated based on the performance of specific accounts, but rather on the performance of their team across applicable products, as well as their individual contributions to research, client service and new business development.

We include realized and unrealized gains and losses in valuing account assets to calculate fees. This may create an incentive for QS Batterymarch to overvalue account assets to gain larger fees under performance- and asset-based fee arrangements. To mitigate this potential conflict of interest, we have formal pricing policies and procedures for valuing account assets in instances when market prices are either unavailable or unreliable.

Side-by-Side Management

A portfolio manager might also be motivated to favor certain funds and/or accounts or investment strategies in which he or she, or QS Batterymarch and/or its affiliates, has a financial or other interest.

As mentioned above, QS Batterymarch has attempted to lessen this risk by compensating portfolio managers based on the performance of their team across the team's products rather than based on the performance of specific accounts, in addition to other factors.

QS Batterymarch and its employees are also subject to certain laws and regulations and internal policies and procedures governing personal trading and other conduct. For example, QS Batterymarch has adopted a written Code of Ethics to promote high standards of behavior and to ensure compliance with applicable laws and regulations. See Item 11 for a description of our Code of Ethics.

QS Batterymarch provides investment advisory services to a variety of clients using various investment strategies. We may give different advice, take different action or time trades differently for different accounts. Although we seek to ensure that client accounts managed using similar investment strategies have similar portfolio characteristics, we do not typically “clone” accounts by constructing multiple accounts with identical holdings. Therefore holdings may differ from one account to the next within the same investment strategy, and account performance may differ.

For a variety of reasons, we may simultaneously recommend the sale of a particular security for one account while recommending its purchase for another. For example, if we need to raise cash for a redemption or withdrawal in a particular account, we may sell a security that is classified as a buy by our investment process.

Occasionally, we may purchase or sell a security in long-only accounts on the same day we execute an opposite transaction by selling it short in other accounts. In addition, some accounts may hold opposite positions, with a security held long in one or more accounts while others hold it short. For example, this may occur when a long position is being sold from one portfolio while it is shorted in another. Additionally, for risk control purposes, a long-only account may hold an underweight position in a particular security relative to the benchmark despite its sell classification because it is a large benchmark constituent. Underweighting the security in this case is essentially betting against it. At the same time, we may be betting against the security in a different account by shorting it. Both positions reflect a negative return expectation for the security.

The stock selection models, risk controls and portfolio construction rules used for client accounts in a particular investment strategy may differ from those used for accounts in other strategies, including accounts that hold short positions. As a result, securities may be scored differently for different investment strategies, and the timing of trades may differ.

We believe that with our risk controls it is possible for different accounts managed under different investment strategies to both benefit by holding opposite positions in the same security.

Our compliance personnel review opposite transactions and positions for validity, obtaining justification from the investment team if needed. They also review opposite transactions to ensure that any cross transactions are properly documented and reported. In addition, they periodically review account performance dispersion to ensure that no strategies or accounts, including those paying performance fees, appear to receive preferential treatment or are systematically disadvantaged.

Item 7 – Types of Clients

QS Batterymarch provides (or has provided) investment advisory and sub-advisory services to various types of clients, including:

- Corporations
- Corporate pension and profit-sharing plans
- Public pension and profit-sharing plans
- Taft-Hartley plans
- Insurance companies
- Charitable organizations
- Foundations and endowments
- State and local government entities
- Foreign government entities, including sovereign funds
- Mutual funds
- Foreign funds, such as Undertakings for Collective Investment in Transferable Securities (“UCITS”) and Specialized Investment Funds (“SIFs”)
- Collective trusts
- Private investment funds (including so-called “hedge funds”)
- Other US and international institutions

The minimum account size for separately managed accounts is generally \$25 million. Minimum account sizes may be lowered or raised at our discretion. Prospective separate-account clients must execute advisory contracts with QS Batterymarch that stipulate the terms of service.

The investment minimums and investor qualifications for the commingled funds we manage or sub-advise are specified in their governing documents. Institutional clients, qualified investors, accredited investors, retail investors and some QS Batterymarch employees may be eligible to invest in some of these commingled funds. Prospective commingled fund investors must execute subscription or similar agreements binding them to the terms stipulated in the governing documents.

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

Investment Strategies and Process

QS Batterymarch analyzes a broad universe of stocks daily using proprietary, quantitative models based largely upon traditional, bottom-up fundamental analysis. Our models use financial data provided through databases licensed from multiple vendors and incorporate the fundamental insights of our investment professionals. These insights may reflect fundamental research on companies performed by our investment professionals.

We use essentially the same investment process for most of our investment strategies, varying the strategies according to client benchmark preferences, investment objectives and investment guidelines. Due to this common architecture, the quantitative research conducted for specific products can be applied or modified for other products or strategies.

We construct an investable stock universe for these strategies by screening all listed securities within the appropriate asset class according to criteria related to trade volume, analyst coverage and availability of reliable company data. For each strategy, we score the relative attractiveness of all stocks in our investable universe every day across certain fundamentally based categories known as “dimensions.” These dimensions fall into broader categories based on either value or sentiment. Value-oriented dimensions assess value and cash flow, while sentiment-oriented dimensions assess earnings, growth, expectations and technical characteristics. Each dimension includes multiple measures of attractiveness called “factors.” Our large factor library includes both traditional and proprietary measures that our research indicates are predictive of excess return. Because not all factors work in all sectors and markets or at all times, we apply them selectively based on periodic retesting. Our objective is to use only those factors that are deemed most predictive at a particular time and are least correlated with other factors.

We score each stock from multiple viewpoints. These scores represent various investment perspectives and are typically based on several of the following considerations: sector, country, region, investment style (such as growth and value) and market capitalization. By incorporating such diverse perspectives in our scores, we seek to develop a more complete picture of each stock’s relative attractiveness. The buy and sell ranges within this scoring structure vary by investment strategy. Subject to market environment and risk controls, we generally purchase stocks scored as buys and sell stocks scored as sells. However, for purposes of risk management, we typically hold positions in securities that are significant benchmark constituents regardless of score.

Sector, country and region allocation decisions are made using proprietary models and the insights of the investment team.

QS Batterymarch’s portfolio construction process incorporates multiple levels of risk control. We optimize portfolios using a multifactor risk model. The process weighs variables such as stock scores, sector/country/region weights, market capitalization, client-specific investment guidelines and other constraints and produces a list of suggested trades. All trades are reviewed by QS Batterymarch’s portfolio managers for risk control purposes before they are released for execution. The portfolio managers have the discretion to pull trades suggested by the optimizer.

For example, portfolio managers may pull a trade if they believe that the model has not had sufficient time to incorporate newly available data or if the market environment does not support the trade. Some transactions may be executed primarily for risk control purposes.

For non-US Developed Markets portfolios, we may actively hedge major currencies such as the yen, euro and British pound to the client's base currency, with client approval. Our hedging strategy incorporates third-party forecasting and historical currency analysis as well as US dollar relative strength analysis. We generally do not hedge emerging markets currencies or cross-hedge currencies in portfolios, such as hedging the yen to the euro in an account whose base currency is the US dollar.

All portfolios are managed on a team basis in accordance with the investment objectives and strategies outlined in each client's advisory contract or applicable fund's governing documents. The overall investment process is overseen by QS Investors' Investment Oversight Committee.

See Item 13 for additional information concerning QS Batterymarch's review of accounts.

Primary Investment Strategies

Listed below are the primary investment strategies offered by QS Batterymarch, followed by a discussion of related risks. The majority of these strategies share a key objective—each seeks to outperform its benchmark regardless of the market environment. Generally, we seek to add value over a full market cycle of three to five years.

Traditional Strategies

- Global Equity
- Global Small Capitalization Equity
- International Equity
- International Small Capitalization Equity
- US Large Capitalization Equity
- US MidCapitalization Equity
- US Small Capitalization Equity

QS Batterymarch's traditional investment strategies use disciplined, systematic techniques based on traditional fundamental analysis to objectively score the relative attractiveness of an investable universe of liquid stocks daily. These strategies are characterized by rigorous, bottom-up stock selection, integrated risk control and cost-efficient trading, resulting in well diversified and style neutral portfolios, with moderate active bets versus the benchmark.

Solutions-Based Strategies

- Global Environmental, Social and Governance Equity
QS Batterymarch's Global Environmental, Social and Governance Equity strategy is designed to identify attractive stocks that meet client-specific requirements related to environmental, social and governance ("ESG") issues. This strategy integrates QS Batterymarch's fundamentally-based stock selection model with a proprietary ESG

model that uses positive screening methodology incorporating multiple factors pertaining to ESG considerations such as human rights, product safety and environmental strategy.

- Global Inflation-Sensitive Equity

QS Batterymarch's Global Inflation-Sensitive Equity strategy is designed to identify the sectors and securities that are expected to do best in specific inflationary environments. This strategy combines bottom-up stock selection with top-down inflationary regime positioning within a broad global equity universe.

- Managed Volatility Equity Income

- Global
- International
- Regional
- US Large Capitalization
- Global Emerging Markets

QS Batterymarch's Managed Volatility Equity Income strategies are designed to provide a strong yield component while achieving superior risk-adjusted returns versus the market. Offering downside protection and upside return potential, these strategies use diverse risk perspectives, including a fundamental view, and invest only in stocks that are expected to pay dividends.

- Global Market Neutral Equity

QS Batterymarch's Global Market Neutral Equity strategy is designed to minimize exposure to underlying market risk. Incorporating multiple levels of risk control, this strategy seeks to deliver absolute positive performance, with alpha from both long and short positions.

Risks

In managing client accounts, QS Batterymarch utilizes various investment strategies and methods of analysis. This section contains a discussion of the primary risks associated with these investment strategies. However, it is not possible to identify all of the risks associated with investing. The particular investment risks to which clients are subject will differ depending on the particular investment strategies or products in which they invest and the types of securities held.

While QS Batterymarch seeks to manage accounts so that the risks are appropriate to the strategy, it is often not possible or desirable to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. An investment is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Past performance or any prediction or forecast is not a guarantee or indicative of future results. We cannot guarantee that we will meet the investment objectives associated with any strategy or client account. Clients should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential losses.

Current and prospective clients should be aware of the common risks associated with QS Batterymarch's investment strategies. The following explanations are not, and are not intended to be, a complete list of the risks associated with an investment. Fund investors should also refer to appropriate governing documents and consult with their own advisors before deciding whether to invest.

Market Risk

The market prices of securities fluctuate, sometimes rapidly, dramatically and/or unpredictably, due to general market conditions, such as real or perceived adverse economic or political conditions, inflation, government intervention, changes in interest rates or currency rates, lack of liquidity in the markets or adverse investor sentiment. Market prices of securities also may be impacted by events or conditions that affect particular sectors or issuers.

Long-only strategies do not use short selling and may not use other hedging techniques that could reduce the risks associated with a market downturn. Therefore long-only accounts are typically at greater risk of losing value during market declines than those accounts that are able to short stocks.

We seek to minimize market risk by screening our stock universe for investability, including liquidity, and applying a variety of portfolio risk controls, including multiple exposure constraints.

Concentration Risk

Some investment strategies may be less diversified than others in terms of region, country, sector, industry or company, which makes these strategies inherently riskier. Strategies investing solely in one country or region may have greater exposure than more diversified strategies to specific economic cycles, stock market fluctuations, currency exchange rates, government actions and other country- or region-specific issues.

Security Risk

The value of a security can fluctuate more or perform differently than the market as a whole, often due to disappointing earnings reports by the issuer, unsuccessful products or services, loss of major customers, major litigation against the issuer, changes in government regulations affecting the issuer or the competitive environment, or investor sentiment. Accounts may experience substantial or complete losses on individual securities.

In portfolios managed under most traditional investment strategies (and certain solutions-based strategies), QS Batterymarch seeks to mitigate security risk by constructing broadly diversified portfolios that are typically style neutral to their underlying benchmarks. We also typically make only moderate active bets versus account benchmarks. For risk control purposes and subject to market environment and portfolio characteristics, we typically hold positions in stocks that are significant benchmark constituents, weighted according to our assessment of their relative attractiveness.

The vast majority of holdings in client account portfolios managed under our primary investment strategies are exchange-traded common stocks. However, if consistent with client objectives and

guidelines, we may purchase the following instruments that may be associated with higher counterparty, settlement or other risks:

- American Depositary Receipts (“ADRs”)
- Global Depositary Receipts (“GDRs”),
- Non-Voting Depositary Receipts (“NVDRs”)
- Income trusts, including real estate investment trusts (“REITs”)
- Master limited partnerships (“MLPs”)
- Tracking stocks
- Exchange-traded funds (“ETFs”)
- Foreign exchange (“FX”) forward currency contracts (including non-deliverable forwards)
- Other derivatives or synthetic instruments (including swaps, equity-linked notes, participation certificates, warrants and stock purchase rights)
- Initial public offerings (“IPOs”)

Depositary receipts (*e.g.*, ADRs and GDRs) are negotiable securities issued by and deposited in banks or trust companies that represent securities of companies that are foreign to the market on which the receipt trades, enabling investors to buy securities of foreign companies without the accompanying risks or inconveniences of cross-border and cross-currency transactions. The risks of depositary receipts are similar to that of a single stock exposure, with additional issues including counterparty risk, foreign currency risk and risk arising from the type of receipt. While the price of a depositary receipt corresponds to the price of the underlying stock in its home market—adjusted to the ratio of the receipt to foreign company shares—these receipts are traded and settled independently of the underlying shares. Therefore, even where they are denominated in US dollars, depositary receipts are subject to currency risk if the underlying security is denominated in a foreign currency.

Investment in NVDRs enables foreign investors to invest in companies in the Thai market despite foreign ownership restrictions. By investing in NVDRs, investors receive the same financial benefits (*i.e.*, dividends, right issues or warrants) as those who invest directly in a company’s ordinary shares, except that NVDRs do not carry voting rights. QS Batterymarch may also invest in other non-US instruments issued by foreign banks or trust companies.

Income trusts are investment trusts whose interests are traded on securities exchanges similar to corporate stock. An income trust is an investment that may hold equities, debt instruments, royalty interests or real properties. The trust can receive interest, royalty or lease payments from an operating entity carrying on a business, as well as dividends and a return of capital. Income trusts include: (a) REITs, which invest in real estate; (b) business income trusts, where individual companies have converted some or all of their stock equity into an income trust capital structure; and (c) royalty/energy trusts, which invest in natural resources, such as oil and gas ventures. In a typical income trust structure, the income paid to an income trust by the operating entity is passed through to investors. This has the effect of reducing the trust’s taxable income, but results in such payments being taxed at the unitholder level.

REITs are subject to the risks associated with owning real estate, including its potential decline in value and the difficulties associated with its valuation and sale. REITs are also subject to the risk of income fluctuation from underlying real estate assets, inability to effectively manage cash flows from those assets, borrower prepayments and defaults and failure to qualify for special tax treatment. REITs are generally exempt from taxation at the trust level as long as they distribute at least 90% of their income to their unitholders.

MLPs are limited partnerships that are publicly traded on a securities exchange. Because MLPs are classified as partnerships, they avoid corporate income tax. Investors in MLPs also are allocated their proportionate share of all tax items.

Investments in income trusts (including REITs) and MLPs may have tax implications for certain types of investors (see further discussion below regarding *Tax Risk*).

Tracking stocks, which are traded separately from traditional common stocks, depend on the financial performance of specific business units or operating divisions within companies. As a result, the value of tracking stocks may decrease even if the common stock of their companies performs well. Because shareholders in tracking stocks have limited or no voting rights, they have no legal claim to company assets in the event of liquidation.

ETFs incur their own management and other fees and expenses, such as transaction costs, trustees' fees, operating expenses, registration fees and marketing expenses, with a proportionate share borne by investors. ETF performance will be reduced by these costs and other expenses, which clients pay in addition to QS Batterymarch's advisory fees. Performance of client accounts investing in ETFs could be lower than if the accounts invested directly in the securities underlying the ETFs. In addition, client accounts holding ETFs are indirectly exposed to the risks of the underlying securities.

QS Batterymarch may utilize FX forward currency contracts to "lock in" the price of a security that was bought or sold in a foreign currency to the account's base currency. By doing so, QS Batterymarch seeks to protect a client account against a possible loss resulting from an adverse change in the relationship between the base and foreign currencies from the trade date to the settlement date of the transaction. QS Batterymarch may also use FX forward currency contracts in an attempt to protect a client account against adverse changes in exchange rates between a foreign currency in which an account has exposure and the account's base currency. For example, such contracts may be used as a hedge to protect the value of a client account's foreign investment securities against a decline in the value of such securities' foreign currency. Certain FX forward currency contracts may be non-deliverable forwards ("NDFs"). Although NDFs are similar to other FX forward currency contracts, NDFs do not require physical delivery of the reference currency on the settlement date. NDFs, unlike other FX forward currency contracts, are classified as swaps by the US Treasury Department and are therefore subject to a wider array of regulations under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

QS Batterymarch may use derivatives or synthetic instruments to provide equity exposure not otherwise obtainable in certain non-US markets due to limitations imposed by certain countries, because a client's custodian does not have a local agent bank that will allow QS Batterymarch to

invest directly in such market, or because such instruments may be more cost effective than direct investment.

QS Batterymarch may also use derivatives to employ defensive strategies designed to protect a client account from an expected decline in the market value of an asset or group of assets that the account owns or to protect the account from an expected rise in the market value of an asset or group of assets which the account intends to acquire in the future (an “anticipatory” hedge).

A swap is an agreement in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains. The underlying asset can be a security, basket of securities or an equity index.

Equity-linked notes (“ELNs”) are debt instruments that differ from a standard fixed income security in that the final payout is based on the return of an underlying asset, which can also be a single security, basket of securities or an equity index.

A participation certificate is an investment representing an interest in a security or pool of securities that allows participation in the rise or fall of the price of that security or pool.

Warrants and stock purchase rights are securities permitting, but not obligating, their holder to purchase other securities, typically the issuer’s common stock. Stock purchase rights are frequently issued as a dividend to a company’s stockholders, while warrants are generally sold by a company or issuer.

Most synthetic securities are not actively traded on a secondary market and are designed to be kept to maturity. Holders of such securities typically do not have voting or other rights typically afforded to shareholders of common stock. For example, holders of warrants and stock purchase rights are not entitled to receive dividends or to vote. They also do not have the rights to share in the assets of the company in the event of liquidation.

While the issuer of a synthetic security may register the instrument with a listed exchange, these instruments may not be readily traded in the secondary markets and, therefore, in addition to other risks, they often have increased counterparty risk (see further discussion below under *Derivatives Risk*).

The key criterion for determining eligibility of an account to participate in an IPO is the suitability of the investment for the investment mandate as determined by the appropriate investment team. Most of QS Batterymarch’s investment strategies do not invest in IPOs. IPOs have a lack of trading history and cannot be scored by QS Batterymarch’s stock selection models. IPO are frequently less liquid than securities traded on the secondary markets, and may include trading restrictions, such as lock-up periods, and their prices are typically more volatile than those of securities traded on the secondary markets.

Management/Model Risk

QS Batterymarch's investment models, used to evaluate securities or markets, are based on certain assumptions concerning the interplay of market factors and do not assure successful investment. The models may not behave as expected. Unanticipated market movements or extraneous events may decrease the predictive success of the models. For example, during periods of sharp market rotations or unusually high volatility, or when investor sentiment rather than economic fundamentals drives the market, the investment process may be challenged. While these periods are typically short lived, there can be no assurance that a client's specific investment objectives will be achieved.

QS Batterymarch's quantitative investment process is supported by extensive proprietary computer code. Despite multiple development, review, testing and change controls for our models, coding errors may occur, as with any complex software or data-driven model. No guarantee or warranty can be made that any quantitative investment model will be completely free of errors. Coding errors may be difficult to detect and could have a negative impact on investment results. Somewhat mitigating this risk is the structure of QS Batterymarch's models, which have a wide range of inputs, ensuring that model results are generally not reliant on any one calculation or piece of data. Furthermore, QS Batterymarch has control systems and processes in place that are intended to identify and escalate in a timely manner any errors that could have a material impact on our investment process.

We receive investment data and other information about investment securities from outside vendors and reserve the right to rely on this data. The data includes, but is not limited to, market price quotations, earnings reports, balance sheets and other indicators of financial performance or expectations. We also receive information from vendors concerning companies that may have ESG issues, such as involvement in weapons, alcohol or tobacco production and distribution. Depending upon client mandates or investment guidelines, we may incorporate ESG issues into our investment analysis and decision-making process using third-party data feeds. QS Batterymarch may not be able to ensure that the data is complete or error-free.

Style Risk

Our stock selection process has no inherent style bias and contains elements of both growth and value. Over time our process may migrate from a pure "core" approach as our model identifies stocks that may exhibit greater growth or value characteristics. At any point in time, an investment style (*i.e.*, growth or value) may be out of favor with investors which could result in the strategy underperforming other investment styles.

Market Capitalization Risk

Risks may vary depending upon an issuer's market capitalization. Strategies that invest primarily in one capitalization range (*i.e.*, either large, mid or small cap stocks) take on the risk that one category may be out of favor in comparison to others.

Small Cap Stock Risk

Small cap companies may be more vulnerable to adverse business or economic developments than larger, better-established companies and may have limited product lines, markets or financial resources. Their stocks may be less liquid and more volatile than larger stocks or

market averages in general and therefore may involve greater risk than investing in the securities of larger companies.

Foreign Investment Risk

Foreign countries may have markets that are less liquid, less regulated and more volatile than in the US. These countries may have economic, political or social instability and may experience negative government actions, such as currency controls or seizures of private businesses or property. Such events could significantly disrupt the financial markets in these countries and the ability of issuers there to repay their obligations. These events could also have a harmful impact on the securities of issuers located elsewhere who have significant exposure to issuers in the disrupted financial markets, and this could negatively affect the value and liquidity of an account's investments.

In addition, less information about issuers and markets is available in some foreign countries because of less rigorous accounting and regulatory standards than in the US.

Emerging and Frontier Markets Investment Risk

Emerging markets, including frontier markets in particular, typically have economic and political systems that are less developed, and can be expected to be less stable, than those of more advanced countries. Legal systems in some emerging markets countries may be less developed than in developed markets. Laws regulating securities transactions and investor protection, and enforcement of these laws, may be inadequate, especially compared to the legal and regulatory framework in more developed markets.

Investing in emerging countries involves the risk of expropriation, nationalization, confiscation of assets and property or the imposition of restrictions on foreign investments and on repatriation of capital invested. Should such an event occur, investors could lose all or a portion of their investments in that country.

Certain emerging market countries restrict or control foreign investment in their securities markets to varying degrees. These restrictions may limit QS Batterymarch's investment opportunities in those markets.

Several emerging countries have experienced substantial, and in some cases extremely high, rates of inflation. Inflation and rapid fluctuations in inflation rates may have very negative effects on the economies and securities markets of certain emerging countries.

Lower trading volumes in emerging markets may result in a lack of liquidity and increased price volatility. These markets may experience dramatic swings in the value of their currencies. There can be no assurance that currency instability or fluctuations will not occur and, if they do occur, that they will not have a material adverse effect on account performance.

Economies in emerging countries generally depend heavily upon international trade and, accordingly, may be affected adversely by the economic conditions of the countries with which they trade as well as trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by those countries.

Custodial and/or settlement systems may not be fully developed in certain emerging markets. Further, the assets of a client account that are traded in such markets and entrusted to sub-custodians may be exposed to risk under certain circumstances whereby the applicable client custodian will have limited or no liability.

The risks associated with investing in emerging markets could adversely affect account performance and result in substantial losses.

Over-the-Counter Risk

Over-the-counter (“OTC”) transactions involve risk in addition to those incurred in transactions in securities traded on exchanges. OTC-listed companies may have limited product lines, markets, or financial resources. Many OTC stocks trade less frequently and in smaller volume than exchange-listed stocks. The values of these stocks may be more volatile than with exchange-listed stocks, and investors may experience difficulty in purchasing or selling these securities at a fair price.

Currency Risk

The value of investments in securities denominated in foreign currencies increases or decreases as the exchange rates between those currencies and the US dollar change. Currency exchange rates can be volatile and are affected by factors such as general economic conditions, the actions of the US and foreign governments or central banks, the imposition of currency controls and speculation. Investors may incur currency conversion costs, and client accounts that require any cash in their accounts to be exchanged back to their local currencies may incur significant exchange rate risk.

If permitted by clients, QS Batterymarch may use forward currency exchange contracts to hedge against fluctuations in certain currencies, with the objective of protecting the value of client accounts against adverse changes in currency exchange rates. However, there is no guarantee that QS Batterymarch will employ a hedging strategy or, when it does, adequately hedge currency exposures. Our hedging actions may be unsuccessful, resulting in lower returns or even losses to client accounts. We do not use currency forwards for purposes other than hedging in our primary investment strategies.

Derivatives Risk

If permitted by clients, QS Batterymarch may use derivatives for various purposes. For example, we may use equity index futures to equitize the cash or cash equivalents in client accounts. We may also use derivatives or synthetic instruments such as swaps, ELNs, participation certificates and warrants to gain equity exposure in some non-US markets that would otherwise be inaccessible. This lack of accessibility may be due to trading restrictions, such as a ban on short selling, or limits on foreign institutional investors. In addition, the custodian for a client account may not have a local agent bank in a particular market, necessitating the use of derivatives to gain exposure to certain securities. The use of these instruments may also be more tax efficient or cost effective than investing directly in some markets. QS Batterymarch may also use derivatives to protect client accounts from expected increases or declines in the market value of an asset or group of assets.

Risks associated with derivatives include the following:

- A derivative may not be well correlated with the security, index or currency to which it relates
- Derivatives used for risk management may not have the intended effects and may result in missed opportunities or losses
- An account may be unable to sell a derivative due to an illiquid secondary market
- A counterparty may be unwilling or unable to meet its obligations
- Contractual terms related to default may be interpreted differently by various parties
- Returns may be dramatically impacted by interest rate movements
- Derivatives transactions could expose investors to the effects of leverage, which could increase their market exposure and magnify any losses when compared to directly buying or selling the asset, index, or investment upon which the derivative is based.

QS Batterymarch's business does not consist primarily of providing advice regarding trading futures, options or certain leverage transactions and QS Batterymarch is not registered as a commodity trading advisor with the US Commodity Futures Trading Commission ("CFTC"). As a result, QS Batterymarch is limited in its ability to use commodity futures (which include futures on broad-based securities indexes), options on commodity futures or engage in certain swap transactions or make certain other investments (whether directly or indirectly through investments in other investment vehicles) for purposes other than bona fide hedging, as defined in the rules of the CFTC.

There is no guarantee that QS Batterymarch will employ, or will successfully employ, derivatives, for hedging or other purposes, and their use could result in lower returns or even losses to a client account.

Liquidity Risk

Some securities may be difficult to sell, or be illiquid, particularly during times of market turmoil. Illiquid securities may also be difficult to value. While the investable universe for most of QS Batterymarch's primary investment strategies includes only securities that meet certain liquidity, data and analyst coverage requirements, illiquid securities may be purchased from time to time in client account portfolios. Furthermore, market liquidity may deteriorate, resulting in a holding that was previously liquid becoming illiquid. If a portfolio is unable to sell a deteriorating security because the market is illiquid, losses may be magnified.

On rare occasion, QS Batterymarch may invest in restricted securities for some client accounts. QS Batterymarch may not be able to sell these securities for a period of time (*e.g.*, during a "lock-up period") or may only be able to sell the securities in privately negotiated transactions, pursuant to a registration statement filed under the Securities Act of 1933, as amended (1933 Act), or pursuant to an exemption from registration, such as Rule 144 or Rule 144A under the 1933 Act. SEC regulations permit the sale of certain restricted securities only to qualified institutional buyers.

Investments in restricted and illiquid securities may restrict QS Batterymarch's ability to dispose of investments in a timely fashion and for a fair price as well as to take advantage of other market opportunities.

ESG Investing Risk

An account or strategy subject to ESG policy guidelines and restrictions could underperform accounts invested in a similar strategy without the same restrictions because the ESG guidelines may require QS Batterymarch to avoid or liquidate a well-performing security because it does not meet the ESG criteria.

Managed Volatility Investing Risk

While low-volatility products may have the potential for favorable relative returns in down markets, they have a tendency to lag in up markets.

Objective-Based Performance Risk

In addition to the specific performance risks stated above, there is a risk that QS Batterymarch may not be able to achieve its investment or performance objectives under each of its investment strategies, including but not limited to solutions-based strategies (see also Management/Model Risk above).

Compliance Risk

While there is a risk that QS Batterymarch may violate client investment guidelines and limitations, we have established control procedures to mitigate this risk.

Prior to the inception of new client accounts, our client service team, in collaboration with our compliance and investment team personnel, prepares formal documentation of all required information and agreements. They also work with new clients to interpret their investment guidelines if needed and review the guidelines and account restrictions with the investment team and compliance personnel to identify compliance monitoring requirements.

QS Batterymarch's compliance personnel monitor client accounts on an ongoing basis for adherence to client-specific guidelines and restrictions. See Item 13 for information about our account review procedures.

Trade Error Risk

Despite various controls and best intentions, trade errors may occasionally occur in client account portfolios. These errors may include the following:

- Breach of investment guidelines and/or investment restrictions
- Trading the wrong security or more shares of a security than intended
- Trading a security for the wrong account or fund
- Purchasing a security that a portfolio manager intended to sell, or vice versa

QS Batterymarch's compliance personnel seek to detect potential trade errors by reviewing, among other things, opposite trades and positions in client accounts as well as trade reversals, cancels and corrections. See Item 12 for information about our trade error correction policy.

Allocation Risk

If a portfolio manager identifies a limited investment opportunity that may be suitable for multiple accounts, that opportunity may be allocated among several accounts, which due to liquidity constraints or other factors may limit a client's ability to take full advantage of it. QS Batterymarch has adopted trade allocation procedures designed to ensure that allocations of limited investment opportunities are conducted in a fair and equitable manner among client accounts. Nevertheless, investment opportunities may be allocated differently among client accounts due to the particular characteristics of an account, such as the size of the account, its cash position, investment guidelines and restrictions, sector, country, region or market capitalization exposure, other risk controls, market restrictions or for other reasons. These trade allocation procedures can result in partial-fills of trade orders and, as a consequence, it may take multiple days to complete certain trades. Clients might experience higher transaction costs or obtain less favorable pricing when it takes multiple days to complete a trade order. See Item 12 for a description of QS Batterymarch's trade aggregation and allocation procedures.

Counterparty and Settlement Risk

If the issuer of a security held in a client account or counterparty to a financial contract defaults, is downgraded or is perceived to be less creditworthy, or if the value of the assets underlying a security declines, the value of an investment will typically decline. Accounts are subject to the credit risk of parties with whom they trade and may bear the risk of settlement default. Trading in certain security types may result in increased counterparty and settlement risk, as further described above under Security Risk. In addition, market practices in relation to the settlement of transactions and the custody of assets could result in increased risks.

Client accounts may be adversely impacted should counterparties (e.g., broker-dealers and prime brokers) selected by QS Batterymarch become insolvent. QS Batterymarch typically trades securities with broker-dealers on a delivery-versus-payment basis, thereby greatly reducing counterparty risk. Certain client account and fund assets are held by prime brokers, and those accounts may be significantly impacted in the event of the prime broker's bankruptcy. Rehypothecated securities¹ could be frozen if a prime broker files for bankruptcy and those assets could be claimed by a prime broker's creditors. Certain other trading activities, such as swaps and derivatives transactions under the International Swaps and Derivatives Association ("ISDA") regime or principal transactions with broker-dealers, also have increased counterparty risk.

Redemption Risk

If client accounts with substantial assets terminate their advisory agreements with QS Batterymarch or redeem significant levels of assets in a strategy with limited liquidity, it may be difficult for us to provide sufficient funds to meet the redemption requests without liquidating positions prematurely, at inappropriate times or on unfavorable terms. These sales may cause market impact, reducing the prices of some securities with limited liquidity or trading volumes,

¹ Prime brokers "rehypothecate" customer's assets as collateral for loans in the prime broker's name, to raise cash and make loans to clients for leveraging of purchases and the support of stock borrowings that prime brokers lend to funds that sell securities short. Asset protection laws vary by country.

and diminish the value of remaining client account portfolios. Significant redemptions in commingled funds may also disrupt their operations.

Turnover and Trading Cost Risk

Some of QS Batterymarch's investment strategies may generate relatively high turnover, which will result in higher transaction costs than would be the case with a buy-and-hold strategy. The transaction costs associated with active trading strategies reduce account returns. Trading costs vary by market. Trading costs in less developed markets, especially in emerging markets, are typically higher, and may be much higher, than those in the US and other developed markets.

Tax Risk

Our investment strategies and process generally do not consider clients' tax status or the tax consequences of trades in their accounts, including commingled funds. Investment strategies may generate significant short-term capital gains, which may disadvantage investors in separate accounts or pooled vehicles in terms of taxes. Taxable earnings received from investments in certain security types may generate unrelated business taxable income ("UBTI"), which can be taxable to certain otherwise tax-exempt investors. Clients should consult their tax advisors about the tax consequences of establishing separate accounts with QS Batterymarch or investing in a QS Batterymarch-managed or sub-advised commingled fund.

Short-Selling Risk

Some accounts may engage in short selling (selling securities they do not own). If the value of a security that has been sold short increases, an account will realize a loss. Securities that are sold short are subject to unlimited losses, and investors may lose more than their initial investments. Purchasing securities to close out short positions can cause the value of the stocks to increase further, magnifying losses. Shorting securities involves borrowing money, or margin trading, using the borrowed investment as collateral. Short sellers may be subject to margin calls, requiring them to provide more cash or liquidate a position. Accounts with both long and short positions run the risk that the value of the short positions will rise as the value of the long positions decline, magnifying losses.

Some of the assets in accounts using long-short strategies are held as collateral by prime brokers rather than custodian banks. Due to short positions, some assets are held in one or more margin accounts, which may provide less segregation of client assets than in a more conventional custody arrangement. If a prime broker's business is liquidated, the account assets could be frozen and inaccessible for an extended period of time, resulting in a potential loss to an account due to adverse market movements during the period the positions cannot be traded.

Leverage Risk

Accounts managed using a market-neutral or limited shorting strategy are inherently leveraged, holding positions in excess of the amount invested. Leveraged accounts have greater investment exposure, may incur additional costs and may be subject to greater losses if the value of the leveraged investments decline.

Timing of Trading Risk

At times, certain accounts may trade a particular security in advance of other accounts. In such situations, a purchase may increase the price of a security intended to be purchased by another account, or a sale or short sale in one account may lower the sale price received in a sale by a second account.

Investment Companies Risk

Certain accounts may invest in shares of investment companies as part of their core investment strategy or as a means to gain exposure to certain asset classes. These may include shares of open-end investment companies, closed-end investment companies, unit investment trusts, and ETFs. Investment companies are generally actively managed portfolios that invest in a particular strategy, index, asset class, or other objective defined by each company for a management fee. Investing in ETFs and other investment companies generally carry the same risks as investing directly in the underlying assets, but carry additional expenses in the form of management fees, distribution fees, shareholder service fees, or other fees imposed by the investment companies. Please refer to the underlying funds' Prospectuses, Statements of Additional Information, or other offering documents for a more complete discussion of risks specific to each fund. Additionally, note that ETFs trade on a securities exchange, which means their shares may trade at a premium or discount to their actual net asset value.

Business Disruption Risk

QS Batterymarch has prepared a business continuity/disaster recovery plan ("BC/DR Plan") and has successfully performed disaster recovery testing relating to its investment process, systems and applications. These procedures are regularly reviewed and enhanced. In the event of a catastrophic event, resulting in the death or disability of a group of key QS Batterymarch employees, QS Batterymarch may not be able to adhere to the recovery timeline that it has outlined for business recovery, including the provision of investment management services. In the event of a material business disruption, QS Batterymarch intends to notify its clients as soon as is reasonably practicable.

Key Person Risk

The success of a strategy or account is largely dependent on the skill and expertise of our investment professionals and research staff. Although each of our strategies are managed by a team of professionals, the loss of key personnel could have an adverse impact on the performance of a given strategy or account.

Regulatory Risk

The financial services industry is highly regulated and constantly evolving. Changes to regulations may impede our ability to offer certain products and services, invest in certain products, assets classes, or markets, and/or may require us to alter our strategies or practices in order to comply with new rules and directives. We cannot predict the impact or effect, if any, of future regulatory reform on the strategies we currently manage or products and services we currently provide.

Item 9 – Disciplinary Information

There are no legal or disciplinary events to report that would be material to a client's or prospective client's evaluation of QS Batterymarch's business or the integrity of our management.

Item 10 – Other Financial Industry Activities and Affiliations

Financial Industry Affiliations

On May 30, 2014, Legg Mason completed its acquisition of QS Investors. Legg Mason intends to integrate QS Batterymarch and QS LMGAA into QS Investors over time with the goal of creating a combined investment platform with investment solutions, quantitative equity and multi-manager asset allocation capabilities. Effective as of May 30, 2014, QS Investors, QS Batterymarch and QS LMGAA became subject to common management and investment oversight. To facilitate this relationship, QS Investors employees have been “dual-hatted” into each of QS Batterymarch and QS LMGAA, QS LMGAA employees have been dual-hatted into each of QS Investors and QS Batterymarch, and QS Batterymarch employees have been dual-hatted into QS Investors and QS LMGAA. In addition, individuals in senior management positions at QS Investors were appointed to the same positions at each of QS Batterymarch and QS LMGAA. QS Investors employees that have been dual-hatted into QS Batterymarch and QS LMGAA may assist QS Batterymarch and QS LMGAA in their management of client accounts. QS Investors, QS Batterymarch and QS LMGAA have adopted compliance policies and procedures, including a Code of Ethics, that are substantially similar in all material respects, and the three firms have a common Chief Compliance Officer.

As a wholly owned subsidiary of Legg Mason, QS Batterymarch has direct business relationships with other Legg Mason-affiliated companies. Some of these relationships may be characterized as material because they allow us to gain access to investors who might otherwise not be accessible to us. Although these relationships could create a conflict of interest between QS Batterymarch, our affiliates and our clients, our policies and procedures are designed to ensure that we treat all clients fairly.

To eliminate a potential conflict of interest, we do not trade with any affiliated broker-dealers.

The following is a description of certain advisory relationships QS Batterymarch has with affiliated companies:

Advisory Services

- Investment manager and managing member of *QS Batterymarch Market Neutral Fund, LLC*. As managing member, QS Batterymarch has full and complete charge of all affairs of the fund, subject to the provisions of the fund’s limited liability company agreement. QS Batterymarch could face a conflict of interest between acting in the best interest of fund investors and in QS Batterymarch’s best interest. *Legg Mason Investor Services, LLC* is the distributor and placement agent of this limited liability company.

Sub-advisory Services

- Investment sub-adviser to mutual funds offered by *Legg Mason Global Asset Management Trust* and *Legg Mason Partners Equity Trust*. *Legg Mason Partners Fund Advisor, LLC* is the investment manager and *Legg Mason Investor Services, LLC* is the distributor for these funds.

- Investment sub-adviser to an additional mutual fund offered *by Legg Mason Global Asset Management Trust*, for which *Legg Mason Partners Fund Advisor, LLC*, *QS LMGAA* and *Legg Mason Investor Services, LLC* serve as the investment manager, adviser and distributor, respectively.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics and Personal Securities Trading

Employees are permitted to trade for their personal accounts in securities which are recommended, purchased or sold to or for our clients. To help manage this inherent conflict of interest, we have adopted a Code of Ethics that has been reasonably designed to help prevent and detect these and other conflicts between the interests of our clients and those of our firm, our affiliates and employees. The Code of Ethics limits employee trading activity to ensure that our clients' interests are placed ahead of our own. Designed to comply with U.S. federal securities laws, the Code of Ethics establishes a standard of conduct that minimizes real or perceived conflicts of interest and aims to avoid even the appearance of impropriety. The Code of Ethics requires our employees, among other things, to:

- Disclose personal brokerage accounts and holdings to our compliance team (“Compliance”), including any accounts in which they have joint or beneficial interest or control (“employee-related accounts”);
- Instruct their brokers to provide Compliance with duplicate trade confirmations and account statements;
- Obtain approval for securities transactions from Compliance prior to executing trades in employee-related accounts (certain exclusions apply);
- File a quarterly transaction report containing information about reportable trades in employee-related accounts during the prior calendar quarter;
- File an annual holdings report containing information about all holdings in employee-related accounts as of calendar year-end;
- Confirm annually that they have read, understand and will comply with the Code of Ethics; and
- Report any violation or potential violation of the Code of Ethics to Compliance.

The Code also contains further restrictions regarding personal trading activity, such as the following:

- Employees are subject to the following specific blackout period restrictions (certain exclusions apply):
 - Employees may not knowingly buy or sell a security on a day during which any client account has a “buy” or “sell” order for the same security, until that order is executed or withdrawn; and
 - Investment personnel may not buy or sell a security seven (7) days before or after the same security is traded (or contemplated to be traded) for a client account with which the individual is associated;
- Employees must hold a security for at least thirty (30) days;
- Employees must hold proprietary funds, defined as mutual funds sponsored by Legg Mason or its affiliates, for at least sixty (60) days;
- Employees may not purchase a security while a client order is pending (certain exclusions apply);

- Employees may not participate in IPOs or other new issues (generally, “equity securities” as defined in Section 3(a)(11) of the Securities Exchange Act of 1934, as amended); and
- Employees are prohibited from buying, selling or recommending the purchase or sale of a security while they are in possession of material, non-public information.

Lastly, in addition to restrictions and requirements regarding personal trading, the Code of Ethics and associated policies also include provisions that address other areas where the potential for conflicts of interest exist. These include:

- Reporting of all gifts and entertainment exchanged between our employees and external business partners, including clients, consultants, brokers and vendors;
- Limits on the type, frequency and value of business gifts and entertainment given to or received by our employees;
- Pre-clearance and reporting of all political contributions or gifts made by our employees and any other “covered associate” as defined under Rule 206(4)-5 promulgated under the Advisers Act; and
- Reporting of all outside business activities that may be in conflict with an employee’s job responsibilities and/or duty to our clients.

As noted above, employees or family members may purchase, hold or sell securities at or around the same time that we purchase, hold or sell the same securities for client accounts. The personal actions by these individuals could also be different in nature or timing from the advice and actions taken by QS Batterymarch for client accounts.

Our employees may hold a beneficial interest in QS Batterymarch-managed investment products, including mutual funds and other commingled funds. For example, some employees, including portfolio managers and officers, may own units of beneficial interest in *QS Batterymarch Market Neutral Fund, LLC*, for which we serve as investment manager and managing member. They may also invest in mutual funds for which we are the investment sub-adviser. In these cases, employees may have direct knowledge of current fund holdings, which is non-public information.

Legg Mason or other affiliates or employees may provide seed capital to fund accounts for new QS Batterymarch investment strategies or products.

While these activities may create potential conflicts of interest between QS Batterymarch, our supervised persons and our clients, we believe that our Code of Ethics, combined with our other policies and procedures, are reasonably designed to address these matters.

Individual securities, such as those personally held by employees or issued by our clients, for the most part cannot receive preferential treatment within QS Batterymarch’s investment process due to our unbiased quantitative stock scores. However, because there are also fundamental inputs into our investment process, and portfolio managers ultimately have investment discretion over client accounts, conflicts of interest are possible.

In addition to our own Code of Ethics, QS Batterymarch has adopted Legg Mason's Code of Conduct, which sets out principles for day-to-day business activities relating to the following:

- Compliance with laws and regulations
- Conflicts of interest
- Corporate opportunities
- Gifts and entertainment
- Confidential information
- Insider trading
- Fair dealing
- Safeguarding assets and property
- Accuracy of books and records
- Public disclosure and reporting
- Treatment of others

There are also restrictions banning employees from serving on the board of directors of a publicly held company, engaging in certain transactions in Legg Mason stock, including a ban on purchases for client accounts other than index funds, and knowingly participating in or facilitating late trading, market timing or any other activity in violation of applicable law or the provisions of a fund's governing documents.

QS Batterymarch's clients or prospective clients may request a copy of QS Batterymarch's Code of Ethics and Legg Mason's Code of Conduct by contacting Compliance or a client service representative at 212-886-9200.

Despite the measures outlined above, clients should be aware that no set of policies and procedures can anticipate or relieve all potential conflicts of interest. If an unanticipated conflict of interest should arise, we will seek to resolve the situation in the best interests of our clients.

Item 12 – Brokerage Practices

Broker Selection and Best Execution

Unless directed otherwise by clients, QS Batterymarch has the discretion to choose broker-dealers to execute trades for client accounts and to determine the commissions paid to them. Broker-dealers for trading in client accounts are selected based on their ability to achieve the best possible result reasonably available for each client for each transaction, or “best execution.” Best execution is not necessarily measured by the circumstances surrounding a single transaction but may be measured over time through multiple transactions.

While execution price is often an important factor in selecting a broker-dealer, we may also consider a number of other factors when evaluating a broker-dealer’s ability to deliver best execution. These other factors may include:

- Execution capability, reliability and accuracy;
- Commission rates;
- Operational capabilities and technology infrastructure;
- Order characteristics (size, difficulty of execution, etc.);
- Security or asset class characteristics (complexity, familiarity, etc.);
- Current or prevailing market conditions; and
- Any other factor permitted/required that we deem important in evaluating execution quality.

Broker-dealers are selected from the firm’s approved broker list. Relationships with each broker-dealer are evaluated on an ongoing basis to ensure that we only partner with broker-dealers that meet the standards we have established through our broker approval process. Brokers are evaluated based on their:

- Creditworthiness;
- Experience and familiarity with instruments within our investment universe;
- Stability and continuity of coverage;
- Regulatory standing; and
- Ability to meet specific client requirements.

Before we begin trading with a broker-dealer, they are evaluated by our Governance Oversight Committee to verify that they meet the requirements of our broker approval procedures. Once a broker-dealer is added to the list, they are subject to ongoing review to confirm that they maintain the requirements of our procedures. Broker-dealers can be removed from our approved list at any time for failure to meet our firm standards.

Broker performance is reviewed on a continuous basis. The lead portfolio manager of each strategy reviews execution on a post-trade basis to verify the integrity of the overall best execution process. The Governance Oversight Committee provides additional oversight by reviewing best execution with each lead portfolio manager on a quarterly basis.

QS Batterymarch uses a range of strategies designed to manage transaction costs, which consist of explicit costs, such as commissions, fees and taxes, as well as implicit costs, also known as market impact. To best preserve investment returns, QS Batterymarch seeks to minimize the total transaction costs of trading.

We manage explicit costs of trading by negotiating competitive commission rates. Implicit costs are managed through careful choice of execution strategies, real-time trade management and detailed post-trade analysis.

As a matter of policy, we do not execute transactions for clients using any broker-dealer affiliated with QS Batterymarch or our parent company, Legg Mason.

QS Batterymarch does not receive client referrals from any broker-dealers, thus client referrals do not influence QS Batterymarch when selecting broker-dealers for trade execution.

Soft Dollars and Commission Sharing Arrangements

We do not receive soft dollar benefits from client transactions or enter into commission sharing arrangements. Although we do not participate in these arrangements, we may receive research from broker-dealers through which securities transactions are executed during the normal course of business. We do not consider this research as a factor under our policy to seek best execution for our clients or during our broker selection process.

Directed Brokerage

Clients may retain discretion over the broker-dealers we use to execute trades in their account by: (1) limiting the broker-dealers we may use to execute transactions in their account; and/or (2) requiring a portion or all trading be conducted with one or more broker-dealers, including brokers that may not be on our firm's approved broker list. We have an obligation to seek best execution for all client trades, but our inability to choose the broker-dealer(s) that we believe offer best execution may impede our ability to do so. Clients that direct brokerage may not be able to participate in aggregated orders and may receive execution that is not as favorable as, and potentially more costly than, trades executed for other clients.

In an effort to achieve best execution for clients that have retained discretion over all or a portion of broker selection, we may use "step-out" trading to meet our directed brokerage obligation. In these cases, the broker-dealer we select must agree to transfer the portion of an aggregated order that pertains to a directed-brokerage client to the specified broker-dealer. This action is known as a "step-out" or "give-up" transaction. In these transactions, the first broker-dealer executes the trade, while the second one clears and settles all, or part, of the trade in return for all, or part, of the commission.

Step-out transactions allow QS Batterymarch's traders to satisfy client-directed brokerage commitments while matching trades to broker-dealers' expertise or order flows, which can reduce market impact. If the executing broker-dealer QS Batterymarch selects for trade execution does not agree to participate in a step-out transaction, the trade for a directed-brokerage client will be executed separately by their specified broker-dealer (not aggregated).

Transaction costs for these trades may differ from those obtained from an executing broker-dealer chosen by QS Batterymarch.

Clients with directed brokerage may pay higher commissions than others in aggregated orders. For example, commission costs in an aggregated transaction may vary if QS Batterymarch steps out a portion of the trade to a designated broker-dealer. Because of our predetermined liquidity constraints, we may not execute the same number of shares in trades for clients with directed brokerage versus those executed on behalf of clients without such arrangements. If we do not include clients with directed brokerage in an aggregated order, we strive to generate their separate orders in an equitable manner.

Directed brokerage arrangements and their conditions must be specified in investment management agreements or other contractual arrangements at the beginning of each client relationship. Before entering into an agreement with us, clients should be fully aware of the potential impact of directed brokerage on trade execution.

Trade Aggregation and Allocation

Although each client account is individually managed, QS Batterymarch will often buy or sell the same securities on the same day for multiple client accounts. When possible, we generally aggregate these transactions as a single transaction order, which may reduce transaction costs. With limited exceptions, each client will be allocated the average execution price and the average commission paid in the aggregated order. If we cannot completely fill an aggregated order, we will typically allocate the partially filled transactions to clients on a pro-rata basis.

We generally base the pro-rata allocation on each client's order size relative to the aggregated order. Occasional exceptions may be based on factors including the following:

- Available cash in client accounts
- Compliance with client-specific guidelines and restrictions
- QS Batterymarch's risk controls
- Rules and regulations established by an exchange, market or others

In some situations, QS Batterymarch may not be able to or may choose not to aggregate orders for client accounts. These situations could result from the following:

- Countries with market restrictions, as is the case in some emerging markets
- Trades in the same security that are released to a broker-dealer at different times of the day
- Trades in the same security that are released to the same broker-dealer at the same time but with different trading instructions
- Short sales of securities where QS Batterymarch may choose to trade with an account's designated prime broker in order to seek "best execution" or maintain a specific long-short ratio
- Participation in client-directed brokerage arrangements

When trades are not aggregated, they do not typically receive the same average execution price. In these situations, we seek to have broker-dealers generate separate orders equitably.

When we are unable to aggregate trades, accounts may have higher market impact costs. We seek to reduce these costs by monitoring stock liquidity and limiting trade volumes.

As more fully described above under *Directed Brokerage*, whenever possible, we include transactions for directed-brokerage clients in aggregated orders.

We confirm that broker-dealers follow our trade instructions properly. In addition, Compliance periodically reviews partially-filled trade allocations among client accounts to ensure that they have been conducted in accordance with our trade allocation policy.

Delays in executing trade orders and deviations from QS Batterymarch's trade allocation policy may occur from time to time due to various circumstances and are generally not considered trade errors.

Cross Trading

We do not engage in cross trades, which are generally defined as the matching of buy and sell orders for the same security in different client accounts, either internally or externally through a broker. We will notify you if this practice changes (where permitted), generally in the form of an updated Brochure.

Side-by-Side Management Arrangements

As noted in Item 6, certain of our portfolio managers may manage long-only accounts alongside accounts that buy securities both long and short ("side-by-side management arrangements"). When side-by-side management arrangements exist, there may be instances in which a portfolio manager holds a long position in a security in one account while holding the same security short in another account (or vice versa). Selling a security short may result in a decrease of its value; conversely, purchasing a security may result in an increase in its value. Since certain client positions may be conflicted under these arrangements, we have implemented policies and procedures specifically to address side-by-side management arrangements that are reasonably designed to ensure that all of our clients are treated fairly and equitably. Compliance reviews opposite transactions and positions in the same securities for validity, obtaining justification from the appropriate investment team, if needed. They also review opposite transactions to ensure that there are no inadvertent cross trades. In addition, they periodically review account performance dispersion to ensure that no strategies or accounts appear to receive preferential treatment or are being systematically disadvantaged

Errors That Affect Client Accounts

In accordance with firm policy, any error affecting a client account must be resolved fairly, promptly and in accordance with applicable regulations. Any losses incurred as a result of an error are reimbursed, regardless of the amount; gains, where permitted, are retained for the benefit of the client in the client account.

Corrective action to resolve errors must be approved by Compliance and management.

Item 13 – Review of Accounts

Portfolio Manager Review

For those accounts with available cash or recommended sell transactions, QS Batterymarch's portfolio optimization process generates potential trade lists each day. All accounts are monitored daily and, for most strategies, typically traded at least weekly.

QS Batterymarch uses a team approach to investment management, with portfolio managers working collaboratively and sharing responsibility for investment decisions. One or more portfolio managers review the trade recommendations generated by our investment process for each discretionary client account prior to execution by our trading desk. Although individual portfolio managers have been assigned to specific client accounts to facilitate the trade review, any portfolio manager on an investment team is qualified to conduct the trade review.

The portfolio managers and research analysts review daily, weekly and monthly diagnostics for stock selection, portfolio construction and investment performance. They also review weekly and monthly account performance attribution as well as reports comparing account portfolio characteristics to those of benchmark indices and accounts within the same strategy. In addition, the overall investment process is overseen by QS Investors' Investment Oversight Committee. This Committee typically meets quarterly, with formal, regularly scheduled performance and strategy reviews.

Compliance Review

QS Batterymarch's Compliance personnel monitor most client investment guidelines and restrictions for client accounts on both a pre- and post-trade basis through a software application integrated with our order management system. The compliance application tests the rules coded for each portfolio against trading activity during the course of the trading day, at order entry, trade allocation and completion of trades. Compliance also reviews post-trade exception reporting to ensure that market fluctuations have not resulted in any breach of investment guidelines.

Investment guidelines and restrictions that cannot be monitored automatically are typically reviewed manually each month on a post-trade basis. In addition, Compliance periodically reviews portfolio holdings and account characteristics to ensure compliance with account investment objectives, policies and restrictions. They also monitor trading activity to confirm the absence of manipulative trading practices and that no strategies or accounts appear to receive preferential treatment.

The Compliance team reports all compliance breaches to QS Batterymarch's Chief Compliance Officer and consults with our investment professionals to determine any need for corrective action.

Client Reporting

QS Batterymarch's clients generally receive monthly reports with the following information about their accounts:

- Securities held, including quantities
- Cost and reported or estimated market value of each position held
- Total market value of the account
- Summaries of transactions
- Performance returns

The information on these reports should not be considered the official record of a client account. We consider the client's custodian the official record keeper for each account. As described in Item 15, clients should receive account statements from their custodians on a regular basis.

In addition to these reports, QS Batterymarch provides the following information, typically on a quarterly basis:

- Performance
- Brief market commentaries
- Discussion of portfolio performance
- Performance attribution relative to benchmark returns
- Portfolio characteristics relative to the account benchmark

We also provide annual proxy voting summary reports to clients for whom we exercise voting responsibility, providing more frequent reports upon request.

Item 14 – Client Referrals and Other Compensation

QS Batterymarch and its affiliates directly market the firm's services. In rare circumstances, unaffiliated individuals and entities provide QS Batterymarch with client referrals. Solicitors that refer QS Batterymarch to new clients may be paid fees that are generally based on a percentage of the investment advisory fees paid to QS Batterymarch by those clients, in accordance with written solicitation agreements. These fees are paid directly by QS Batterymarch and not by our clients, who are not assessed any additional charges. Any solicitation arrangement QS Batterymarch enters into will comply with the requirements of Rule 206(4)-3 under the Advisers Act.

If the solicitors are unaffiliated with QS Batterymarch, they must provide clients with a disclosure describing the terms and conditions of the solicitation arrangement, including their compensation from QS Batterymarch, and a copy of our Brochure (Form ADV, Part 2). Upon entering into an advisory contract with us, clients referred by unaffiliated solicitors are required to provide signed and dated acknowledgement that they received the disclosure statement and Brochure. Solicitors that are affiliated with QS Batterymarch are only required to disclose the nature of the relationship.

While consultants may refer QS Batterymarch to their clients, it is not our practice to pay referral fees to consultants. However, some consultants charge investment advisers a fee to obtain or respond to requests for proposals or participate in manager searches. Some consultants may also charge a fee to an investment adviser when they award business to that adviser. This fee is typically based on a percentage of the investment advisory fee for the awarded mandate. While QS Batterymarch has not participated in these types of arrangements in the past, there could be instances in the future where we make these types of payments to consultants to obtain business.

QS Batterymarch may purchase products or services from certain consultants, such as portfolio analytics, benchmark index data and database access. Additionally, QS Batterymarch may pay to attend consultant-sponsored conferences. We may also contribute to charitable events sponsored by clients and consultants as well as provide them with limited gifts and entertainment (subject to QS Batterymarch's gifts and entertainment policy). Consultants and clients could face possible conflicts of interest as a result of these purchases and contributions.

Item 15 – Custody

QS Batterymarch does not act as a custodian for any client account. Instead, each separate-account client contracts with a qualified custodian of their choice to take possession of the assets in their account. The custodian is also responsible for settling transactions, accepting instructions from QS Batterymarch regarding the account assets and informing us of additions and withdrawals from the account. QS Batterymarch is not responsible for the acts of a client's custodian or for direct account expenses, such as custodial fees and brokerage expenses.

Clients should receive statements at least quarterly from the custodians for their accounts. We encourage clients to review these statements and compare them to statements that we provide. QS Batterymarch's statements may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies for certain securities.

Under current SEC regulations, QS Batterymarch is deemed to have custody of the cash and securities of *QS Batterymarch Market Neutral Fund, LLC*, a commingled fund. We are deemed to have custody of assets of this fund pursuant to Rule 206(4)-2(d)(2) under the Advisers Act, because we serve as managing member of the fund. The authority granted to managing members of limited liability companies, general partners of limited partnerships, or comparable positions held for other types of commingled funds may provide such persons or entities access to client funds or securities.

Securities and other assets of this commingled fund are held by a QS Batterymarch-appointed prime broker or its related entities. The prime broker is considered to be a "qualified custodian" and is required to send investors account statements at least quarterly, reflecting the securities and other assets held and all transactions occurring during the period. The third-party administrator for this commingled fund sends the account statements to the fund's investors on the custodian's behalf. QS Batterymarch has reason to believe, after due inquiry, that the custodian account statements are being provided to investors in this fund on at least a quarterly basis.

Because we are deemed to have custody of client cash and securities for one or more commingled funds under current SEC regulations, we are subject to an annual surprise examination by an independent public accountant. This examination may include, but is not necessarily limited to, the following procedures:

- Review of contract provisions with qualified custodians
- Confirmation of cash and securities held by qualified custodians either under the client's name or under QS Batterymarch's name as agent or trustee
- Reconciliation of cash and securities to books and records of client accounts maintained by QS Batterymarch
- Confirmation with clients and investors in commingled funds of the cash and securities that QS Batterymarch is deemed to have custody on their behalf and the contributions and withdrawals made in such clients' and funds' portfolios
- Reconciliation of all confirmations received with QS Batterymarch's books and records

Investors in commingled funds should carefully review the statements they receive from each fund's qualified custodian. They should also notify QS Batterymarch if they do not receive a statement from the custodian at least quarterly.

Item 16 – Investment Discretion

QS Batterymarch's clients provide written investment guidelines and restrictions. Most clients give us discretionary authority for their accounts, including the following decisions:

- Type and amount of securities purchased and sold
- Prices at which to transact
- Broker-dealers selected for trade executions
- Commissions paid to broker-dealers

Occasionally, some of our clients may impose certain restrictions on our discretionary authority, such as one or more of the following constraints:

- Holding of securities of certain issuers
- Types of investments held
- Markets in which we may invest
- Broker-dealers used for trade executions

Despite such restrictions, we typically consider these accounts to be discretionary.

Client guidelines may impede our ability to manage accounts similarly to others within strategies and may lead to performance dispersion among a group of like accounts. Prior to entering into agreements with our clients, we discuss the potential impact that certain client-mandated guidelines or restrictions may have on their accounts.

However, some QS Batterymarch accounts may be considered non-discretionary, generally when clients are responsible for executing trades in their accounts or when they have the discretion to reject our trade recommendations. In addition, we may provide portfolio research services, in the form of model portfolios, and/or trade recommendations to some clients. In these circumstances, clients retain full investment and trading discretion over their accounts.

Item 17 – Voting Client Securities

Unless otherwise instructed by the client, QS Batterymarch makes proxy voting decisions for securities held in client accounts. We use Institutional Shareholder Services, Inc. (“ISS”), a recognized authority on proxy voting and corporate governance, as our proxy voting agent. ISS obtains proxy ballots, provides vote recommendations, votes proxies and provides recordkeeping and reporting services on behalf of those clients that have provided QS Batterymarch with the authority to vote proxies. We have a fiduciary responsibility to vote proxies in our clients’ best interests. QS Batterymarch’s Compliance personnel are responsible for managing the relationship with ISS and for ensuring that we are meeting our proxy voting obligations.

QS Batterymarch typically votes in accordance with ISS’s voting recommendations. When such recommendations are not made available to QS Batterymarch, we typically vote in accordance with ISS’s standard proxy voting guidelines. We have adopted ISS’s standard proxy voting guidelines as our own. Some clients have asked us to vote in accordance with custom proxy voting guidelines, such as ISS’s Taft-Hartley Advisory Services’ guidelines. QS Batterymarch manages assets for a wide variety of clients that may have divergent goals regarding the outcome of a shareholders’ meeting. Due to differences in proxy voting guidelines, we may vote proxies for the same security differently for different clients.

Under rare circumstances, QS Batterymarch’s investment teams may believe that it will be in the best interests of clients to vote against ISS’s vote recommendations or in contradiction with ISS’s proxy voting guidelines. In these cases, if there is no material conflict of interest, we will override the vote recommendation from ISS or vote in contradiction with their guidelines. Such votes require pre-approval by Compliance.

Proxies for the shares of certain ETFs held within client accounts may be voted in accordance with an “echo voting” procedure to the extent required by procedures we have adopted to comply with applicable legal and/or regulatory requirements. Under echo voting, proxies are voted in the same proportion as shares held by other shareholders of the fund(s).

QS Batterymarch may have a potential conflict of interest when a company that is soliciting a proxy is one of our advisory clients or when our employees have an interest in a proxy voting proposal that conflicts with the interests of our clients. We believe that we minimize such potential conflicts of interest by following predetermined proxy voting guidelines and by voting in accordance with vote recommendations from ISS.

Unless the cost of voting would appear to outweigh the benefits, we generally cast votes for all shares for which we have voting authority.

Due to restrictions on trading during the proxy solicitation period imposed by many non-US issuers (known as “share blocking”), we typically do not vote shares of some issuers in some markets. During a share blocking period, a blocked security cannot be sold without a formal recall, which can take time and may not be successful. Share blocking periods can last one day to several weeks. If we are unable to sell a blocked security, this could result in substantial costs to clients. If we do not vote a proxy for a particular security, we are not subject to these share blocking restrictions. We may decide in some instances to vote a proxy despite share blocking if

we believe that a certain proposal or series of proposals is likely to result in a substantial change to shareholder value and/or rights.

Some clients may participate in client-directed security lending programs, which also require a recall of the loaned securities to properly assign voting rights to the lender. Because of these administrative considerations, QS Batterymarch often does not receive adequate notice of a proxy voting solicitation to arrange a recall of shares through the client's custodian or other intermediary in time to vote the proxies. Therefore, we generally do not vote proxies for securities on loan.

ISS maintains complete records of all votes cast on behalf of each of our client accounts and provides us with periodic, customized reports for each client account for which we vote proxies. Clients can obtain a copy of our proxy voting policy and procedures, ISS's proxy voting policies and guidelines, or information about how we voted their ballots by contacting a client service representative. Information about ISS's proxy voting policies and guidelines is also available on their website: <http://www.issgovernance.com/policy>.

Lastly, from time to time, securities or other investments held in clients' accounts may be the subject of legal proceedings, including but not limited to bankruptcies, class action lawsuits, and other shareholder litigation. Except as expressly agreed to in writing or as otherwise required under applicable law, QS Batterymarch does not advise clients or take any action on their behalf with respect to any legal proceedings on behalf of clients.

Item 18 – Financial Information

We are not aware of any events affecting our financial condition that would impair our ability to meet our contractual commitments to clients and we have not been the subject of a bankruptcy petition at any time.

Privacy Notice

QS Batterymarch collects information about clients from forms, agreements, and other written and verbal information they provide to us. In order to service client accounts and process transactions, we may provide the client's personal information (i.e., name, address, tax identification number) to firms that assist us in servicing the accounts, including third-party administrators, transfer agents, custodians, and broker-dealers. We may also provide the client's name and address to one of its agents for the purpose of mailing account statements and other information about our products and services to the client. We require these firms, organizations, and individuals to protect the confidentiality of client information and to use the information solely for the purpose for which it is intended.

We do not provide customer names, addresses, or other information to outside firms, organizations, or individuals except in furtherance of our business relationship, or as otherwise required or permitted by law. For example, we are required or we may provide information to government entities or regulatory bodies in response to requests for information or subpoenas, to private litigants in certain circumstances, to law enforcement authorities, or any time we believe is necessary to protect the firm.

QS Batterymarch will only share information about clients with those employees who will be working with us to provide our products and services to our clients, which may include those of our affiliates or parent company. We maintain physical, electronic, and procedural safeguards that comply with federal and state standards to protect our client's personal information.

We consider privacy fundamental to our client relationships and adhere to policies and practices and maintain physical, electronic, and procedural safeguards to protect current and former clients' information. Only individuals who need to do so in carrying out their job responsibilities may access client information.

We never sell customer lists or individual client information.

We may also disclose non-public personal information to other parties as required or permitted by law.