



## **Standish Mellon Asset Management Company LLC**

BNY Mellon Center  
201 Washington Street, Suite 2900  
Boston, MA 02108

### **Form ADV Part 2A (as of March 30, 2012)**

This brochure provides information about the qualifications and business practices of Standish Mellon Asset Management Company LLC. If you have any questions about the contents of this brochure, please contact us by phone at 617-248-6000 or by email at [info@standish.com](mailto:info@standish.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

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

Item 9 has been updated in order to disclose recent civil and administrative complaints against The Bank of New York Mellon Corporation concerning its standing instruction foreign exchange services.

On January 16, 2012 Desmond Mac Intyre, previously President and CEO of Standish, was promoted to Chairman and CEO of Standish. Additionally, Christine Todd, previously Managing Director of the Tax-Sensitive Division, was promoted to President of Standish. Christine continues to have primary responsibility as division head for the Tax-Sensitive division of Standish. Christine also became a member of the Board of Managers of Standish. Mitchell Harris, previously Executive Chairman of Standish, relinquished this title. Des continues to report to Mitchell who remains as President of Investment Management at BNY Mellon covering both the asset management and wealth management divisions.

### **Item 3. Table of Contents**

<b><u>Item</u></b>	<b><u>Page</u></b>
Cover Page.....	1
Material Changes.....	2
Table of Contents.....	3
Advisory Business.....	4
Fees and Compensation.....	5
Advisory or Sub-Advisory Services.....	11
Pooled Investment Vehicles.....	11
Performance-Based Fees and Side-by-Side Management.....	11
Types of Clients.....	15
Methods of Analysis, Investment Strategies and Risk of Loss.....	16
Investment Process.....	16
Investment Strategies.....	17
Risks.....	24
Disciplinary Information.....	36
Other Financial Industry Activities and Affiliations .....	37
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	42
Brokerage Practices.....	46
Review of Accounts .....	48
Client Referrals and Other Compensation .....	49
Custody .....	50
Investment Discretion .....	51
Voting Client Securities .....	51
Financial Information .....	52

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

Standish Mellon Asset Management Company LLC (the “Firm” or “Standish” or “We” or “Us”) is a dedicated fixed income manager that is organized under the laws of the State of Delaware as a Limited Liability Company. Standish traces its roots back to 1933, when its predecessor firm, Standish, Ayer & Wood, Inc., began managing fixed income portfolios for US financial institutions, banks and insurance companies. Standish is 100% owned by MAM (MA) Holding Trust, which is wholly-owned by The Bank of New York Mellon Corporation.

Standish currently offers a wide range of credit-based and specialty bond strategies for US and global pension funds, sovereign wealth funds, central banks, endowments, foundations, insurance companies and other institutions. We provide both discretionary and non-discretionary investment advisory services to institutional, retail, individual and high net worth investors in the form of separate accounts, registered mutual funds, and pooled investment vehicles (private funds) that are exempt from registration in the United States, and to other investment advisers through sub-advisory agreements. Standish is currently registered with the Securities and Exchange Commission as a registered investment adviser and with the Irish Financial Services Regulatory Authority. Registration does not imply a certain level of skill or training.

Effective January 1, 2009, Standish assigned investment management responsibilities for clients of short duration, index and stable value strategies to The Dreyfus Corporation, an affiliate of Standish.

Effective January 1, 2009, Standish entered into an agreement with its affiliate, Fixed Income and Cash AM Service Company LLC (“FICAM”), to provide certain operational and systems support. FICAM provides similar services to other affiliates of Standish.

Standish is effectively split into two divisions: the Active Fixed Income Division, headed by Des Mac Intyre who is also Chairman & CEO of Standish and the Tax-Sensitive Fixed Income Division, headed by Christine Todd, CFA, who is also President of Standish. On a day to day basis, Christine Todd reports to Des Mac Intyre.

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

We may offer investment advisory services in the form of pooled investment vehicles or “Funds”. Each pooled investment vehicle has an investment objective and a set of investment policies and/or guidelines that we must follow. For these reasons, we cannot tailor the investment guidelines of a Fund to meet individual investor needs. In addition, we cannot impose individual investment restrictions on our investment strategies for underlying investors in the pooled investment vehicles. In addition to investment advisory services, Standish also

provides valuation, surveillance, risk management and liquidation services for distressed assets through its Global Workout Solutions business.

In addition to investment advisory services, Standish Tax-Sensitive Fixed Income Division also provides credit research reports for clients seeking supplemental credit research. In connection with this service, Standish does not make recommendations regarding the purchase, retention or sale of specific securities.

Standish provides portfolio management services for a wrap fee program. The program is managed consistent with Tax-sensitive strategy subject to client constraints and size specifications. Standish receives a portion of the sponsor's wrap fee. Fees are negotiated directly with the wrap sponsor.

As of December 31, 2011, we manage \$65,433,090,007 on a discretionary basis and \$896,689,749 on a non-discretionary basis. In addition to the assets managed on behalf of Standish, discretionary portfolios in the amount of \$20,473,864,992 are managed by certain of our officers either in their capacity as dual officers of The Bank of New York Mellon, an affiliated New York chartered bank ("BNY Mellon") or as dual officers of The Dreyfus Corporation. Please see Item 10 for an explanation of our Dual Officer arrangements.

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

**Separate Account Fees:** We provide investment advisory separate account services for a fee. This fee is typically charged as a percentage of your assets under our management. While this fee is typically expressed as an annual percentage, it is calculated based on average daily, month end, or quarter end net assets, typically includes accrued income and typically charged to your account on a monthly or quarterly basis, in arrears. We also have a limited number of accounts with base and performance fees. You may select whether you would like fees to be deducted automatically by your custodian from your assets or billed separately. Your investment advisory agreement may also provide that you will incur fees and expenses in addition to our advisory fees such as custody, brokerage and other transaction costs, administrative and other expenses. Examples of other costs and expenses may include markups, mark-downs and other amounts included in the price of a security, odd-lot differentials, transfer taxes, wire transfer fees and electronic fund fees. Please review your investment advisory agreement for further information on how we charge and collect fees. Please see Item 12 of this brochure for more information on our brokerage practices.

## **Municipal Long and Municipal Intermediate Tax-Sensitive Fixed Income separate accounts:**

0.50% on first \$10 million  
0.30% on next \$10 million  
0.20% on next \$80 million  
0.15% over \$100 million

Minimum account size is \$10 million (for institutional investors).

Minimum account size is \$1 million (for individual investors).

**Short Term Tax-Sensitive separate accounts:**

0.25% on first \$50 million  
0.20% over \$50 million

Minimum account size is \$25 million.

**Opportunistic Tax-Sensitive separate accounts:**

0.50% on first \$10 million  
0.30% on next \$10 million  
0.20% on next \$80 million  
0.15% over \$100 million

Minimum account size is \$10 million.

**US Core, US Core – Intermediate Government/Credit, and US Long Duration separate accounts:**

0.30% on the first \$50 million  
0.25% on the next \$50 million  
0.20% over \$100 million

Minimum account size is \$50 million.

Minimum annual fee is \$150,000. Minimum annual fee may vary depending on account size.

**US Core – 1-5 Year Government/Credit separate accounts:**

0.25% on the first \$50 million  
0.20% on the next \$50 million  
0.15% over \$100 million

Minimum account size is \$50 million.

Minimum annual fee is \$125,000. Minimum annual fee may vary depending on account size.

**US Core Plus separate accounts:**

0.35% on the first \$50 million  
0.30% on the next \$50 million  
0.25% over \$100 million

Minimum account size is \$50 million.

Minimum annual fee is \$175,000. Minimum annual fee may vary depending on account size.

**All-Credit Corporate (AAA-CCC) separate accounts:**

0.45% on the first \$50 million  
0.35% on the next \$50 million  
0.30% over \$100 million

Minimum account size is \$25 million.

Minimum annual fee is \$112,500. Minimum annual fee may vary depending on account size.

**US Treasury Inflation Protected Securities (US TIPS) separate accounts:**

Fixed 0.07% on all assets  
Fixed 0.10% on all assets with duration hedging

Minimum account size is \$50 million.

Minimum annual fee is \$35,000. Minimum annual fee may vary depending on account size.

**Global Treasury Inflation Protected Securities (Global TIPS) separate accounts:**

Fixed 0.09% on all assets  
Fixed 0.12% on all assets with duration hedging

Minimum account size is \$100 million.

Minimum annual fee is \$90,000. Minimum annual fee may vary depending on account size.

**Government Liquidity separate accounts:**

Fixed 0.20% on all assets

Minimum account size is \$25 million.

Minimum annual fee is \$50,000. Minimum annual fee may vary depending on account size.

**US Treasury and US Government separate accounts:**

0.20% on the first \$50 million  
0.15% on the next \$50 million  
0.10% over \$100 million

Minimum account size is \$50 million.  
Minimum annual fee is \$50,000. Minimum annual fee may vary depending on account size.

**US Mortgages – GNMA separate accounts:**

0.20% on the first \$50 million  
0.15% on the next \$50 million  
0.10% over \$100 million

Minimum account size is \$25 million.  
Minimum annual fee is \$50,000. Minimum annual fee may vary depending on account size.

**Global Government separate accounts:**

0.30% on the first \$50 million  
0.25% on the next \$50 million  
0.20% over \$100 million

Minimum account size is \$50 million.  
Minimum annual fee is \$150,000. Minimum annual fee may vary depending on account size.

**Global Core, Global Core Plus and Non-US Fixed Income separate accounts:**

0.35% on the first \$50 million  
0.30% on the next \$50 million  
0.25% over \$100 million

Minimum account size is \$50 million.  
Minimum annual fee is \$175,000. Minimum annual fee may vary depending on account size.



**High Yield (US and Global) separate accounts:**

0.50% on the first \$100 million  
0.40% on the next \$150 million  
0.35% over \$250 million

Minimum account size is \$25 million.

Minimum annual fee is \$125,000. Minimum annual fee may vary depending on account size.

**Emerging Market Debt - US\$-denominated and Local Currency separate accounts:**

0.50% on the first \$100 million  
0.40% on the next \$150 million  
0.35% over \$250 million

Minimum account size is \$50 million.

Minimum annual fee is \$250,000. Minimum annual fee may vary depending on account size.

**US Investment Grade Corporate and European Investment Grade Corporate separate accounts:**

0.40% on the first \$50 million  
0.30% on the next \$50 million  
0.25% over \$100 million

Minimum account size is \$25 million.

Minimum annual fee is \$100,000. Minimum annual fee may vary depending on account size.

**US Long Duration Corporate separate accounts:**

0.40% on the first \$50 million  
0.30% on the next \$50 million  
0.25% over \$100 million

Minimum account size is \$25 million.

Minimum annual fee is \$100,000. Minimum annual fee may vary depending on account size.

**European Core Fixed Income and European Core Plus Fixed Income separate accounts:**

0.30% on the first EUR 100 million  
0.20% on the next EUR 200 million  
0.15% over EUR 300 million

Minimum account size is EUR 50 million  
Minimum annual fee is EUR 150,000. Minimum annual fee may vary depending on account size.

**Opportunistic Fixed Income separate accounts:**

Fixed 0.50% on all assets

Minimum account size \$50 million.  
Minimum annual fee is \$250,000. Minimum annual fee may vary depending on account size.

**CMBS separate accounts:**

0.50% on the first \$50 million  
0.40% over \$50 million

Minimum account size \$50 million.  
Minimum annual fee is \$250,000. Minimum annual fee may vary depending on account size.

**Insurance separate accounts:**

0.25% on the first \$25 million  
0.20% on the next \$75 million  
0.15% on the next \$200 million  
0.10% over \$300 million

Minimum account size is \$50 million.  
Minimum annual fee is \$112,500.

We reserve the right, in our sole discretion, to negotiate or modify (either up or down) the basic fee schedules set forth above for any client due to a variety of factors, including but not limited to: the level of reporting and administrative operations required to service an account, the investment strategy or style, the number of portfolios or accounts involved, and/or the number and types of services provided to the client. Because our fees are negotiable, the actual fee paid by any client or group of clients may be different from the fees reflected in our basic fee schedules set forth above. We typically do not offer Most Favored Nation clauses in our investment management agreements.

**Other Fees**

If allowed by investment guidelines, Standish may invest your account in pooled investment vehicles (including those advised or sub-advised by Standish or an affiliate) that themselves bear advisory fees and operational expenses such as transfer agent, custody, audit, tax, brokerage and

other transaction costs, administrative and other expenses. Your account will indirectly bear these fees and expenses as an investor in such pooled investment vehicles and, as a result, you will bear higher expenses than if you invested directly in the securities held by the pooled investment vehicle.

In certain cases, minimum account fees for Global Workout Solutions clients are paid at the inception of the relationship. Because this is a minimum fee, refunds are typically not available.

### **Advisory or Sub-Advisory Services**

Standish also serves as adviser or sub-adviser to several investment companies sponsored by parties unaffiliated with Standish. For the investment advisory services provided by Standish, these investment companies, or their investment advisers, as the case may be, pay compensation to Standish based on a percentage of assets under management.

### **Pooled Investment Vehicle Fees**

The Pooled Investment Vehicles or private funds (“Funds”) we manage charge a management fee based on the type of assets in the Fund. The Fund management fees and minimums for an asset class may differ from the management fees and minimums of a separate account mentioned above. The management fee may be applied directly to the Fund or may be charged outside of the Fund. Funds may also be subject to additional charges including, but not limited to transfer agent, custody, audit, tax, brokerage and other transaction costs, administrative and other expenses. All Fund fees are disclosed in the Fund’s offering materials. Fund level fees are not generally negotiable, though they may be waived or deferred at the discretion of the Fund in accordance with the Fund’s offering materials. Such waivers and deferrals will cause some clients or groups of clients to pay fees that are different from the basic fee schedules disclosed in Fund offering materials. Please see the applicable Fund’s offering materials for further information regarding fees. Further, our Funds may also charge performance fees. Please see Item 6 below for more information on our fund performance fees.

Standish employees also manage certain bank maintained collective funds in their capacity as dual officers of The Bank of New York Mellon (“BNY Mellon”). Clients investing in such collective investment funds typically sign an Investment Management Agreement or a Trust Agreement with BNY Mellon and management fees are assessed at the account level depending on strategy selected. Typically, an administrative fee of up to 1 basis point may be applied to the collective investment fund in addition to audit expenses, with other expenses being absorbed by BNY Mellon.

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

Advisers are subject to certain fiduciary standards under federal law and owe clients an affirmative duty of utmost good faith to act solely in the best interests of the client and to make full and fair disclosure of all material facts, particularly where the adviser’s interests may conflict with the client’s best interest. In this section, we describe our performance based fee

arrangements and our side-by-side management activities and the inherent conflicts in such arrangements.

We have entered into performance based fee arrangements with a limited number of clients and pooled investment vehicles. Most of these arrangements provide for an asset based management fee, based on the market value of the account at specified month or quarter ends, plus a performance fee based on the portfolio's net return in excess of a specified benchmark during a designated period of time. For more detailed information on how performance fees are calculated, please see relevant offering documents.

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

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

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

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

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

commissions. Please see Item 12 for an explanation of our Trade Allocation Policies and Procedures.

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

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

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

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

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

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

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

### **Conflicts of Interest Relating to "Proprietary Accounts"**

We, our affiliates, and our existing and future employees may from time to time manage and/or invest in products managed by Standish and we or related persons may establish "seeded" funds or accounts for the purpose of developing new investment strategies and products ("Proprietary Accounts"). Investment by Standish, our affiliates, or our employees in Proprietary Accounts may create conflicts of interest. We have an incentive to favor these Proprietary Accounts by, for example, directing our best investment ideas to these accounts or allocating, aggregating or sequencing trades in favor of such accounts, to the disadvantage of other accounts. We also have

an incentive to dedicate more time and attention to our Proprietary Accounts and to give them better execution and brokerage commissions than our other client accounts. Please see Item 12 for an explanation of our Trade Allocation Policies and Procedures.

### **Other Conflicts of Interest**

As noted previously, we and our affiliates manage numerous accounts with a variety of interests. This necessarily creates potential conflicts of interest for us. For example, we or an affiliate may cause multiple accounts to invest in the same investment. Such accounts may have conflicting interests and objectives in connection with such investment, including differing views on the operations or activities of the portfolio company, the targeted returns for the transaction and the timeframe for and method of exiting the investment. Some of our insurance accounts may have gain/loss restrictions requiring them to hold certain securities while they are sold in other accounts. Conflicts may also arise in cases where multiple Firm and/or affiliate client accounts are invested in different parts of an issuer's capital structure. For example, one of our client accounts could acquire debt obligations of a company while an affiliate's client account acquires an equity investment. In negotiating the terms and conditions of any such investments, we may find that the interests of the debt-holding client accounts and the equity holding client accounts may conflict. If that issuer encounters financial problems, decisions over the terms of the workout could raise conflicts of interest (including, for example, conflicts over proposed waivers and amendments to debt covenants). For example, debt holding accounts may be better served by a liquidation of an issuer in which it could be paid in full, while equity holding accounts might prefer a reorganization of the issuer that would have the potential to retain value for the equity holders. As another example, holders of an issuer's senior securities may be able to act to direct cash flows away from junior security holders, and both the junior and senior security holders may be Firm client accounts. As we become aware of any of the foregoing conflicts of interest they will be discussed and resolved on a case-by-case basis. Any such discussions will factor in the interests of the relevant parties and applicable laws. Please see Item 12 for an explanation of our Trade Allocation Policies and Procedures.

Standish, in its capacity as a nondiscretionary investment adviser, provides a limited number of research reports and approved credit lists to certain affiliates, including The Dreyfus Corporation and BNY Mellon Asset Management (UK) Limited for their use in fulfilling their investment management responsibilities to their clients, including reports and verbal updates covering securities which may be held in client accounts managed by the Standish. Such reports do not include buy/sell/hold recommendations.

Certain clients' investment guidelines allow us to invest in bank loans for their portfolio. In many cases for these types of investments, there is information available from the loan issuer to the participants. Certain of this information may be considered material non-public information. The fact that the information is material non-public information presents a possible conflict as it is Standish's policy to restrict trading when material non-public information becomes known. To remedy this conflict, it is Standish's current policy with regard to bank loans to restrict access to material non-public information for any issuers where publically traded securities are available.

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

We provide advisory services to individuals, high net worth individuals, Proprietary Accounts, banks or thrift institutions, corporate pension and profit sharing plans, Taft-Hartley plans, Voluntary Employee Beneficiary Associations (“VEBAs”), trusts, estates, charitable institutions, foundations, endowments, municipalities, U.S. registered investment companies, U.S. and “offshore” (non-U.S.) private investment funds, UCITS, other non-US regulated funds, central banks, sovereign wealth funds, separate accounts, and other U.S. and international institutions.

Investments in private funds that we manage are also subject to minimum investment requirements. Please refer to the offering documents of such funds for more information.

Standish continues to manage, on a limited basis, several legacy equity mandates directly. This activity relates to very long established relationships, which were maintained following the transfer of Standish’s equity management business to its affiliate, The Boston Company Asset Management, LLC (“TBCAM”). Standish does not actively seek new business in direct equity management with the exception of its Total Emerging Market product described below.

Several clients with fixed income mandates require equity exposure as part of a full investment solution (e.g., Balanced Accounts). In these instances, Standish will act as the investment manager and sub-contract the equity piece to another manager – usually within the BNY Mellon Asset Management organization under the auspices of a Master Agreement. In these instances the fixed income and equity sub accounts are segregated for reporting and control purposes and the equities are excluded from Standish’s fixed income performance composites.

In their capacity as dual officers of The Dreyfus Corporation, employees of Standish manage the Dreyfus Total Emerging Markets Fund which combines Standish’s Emerging Markets Debt product with TBCAM’s Emerging Markets Core Equity product. The Fund gains exposure to emerging markets using multiple asset classes comprised of fixed income, equity and currency. The portfolio management team for this strategy includes existing emerging market portfolio managers from each of Standish and TBCAM. Working together they allocate the total emerging market exposures across the most advantageous of the three asset classes for each specific country. Once the country and asset allocation have been agreed upon jointly, security selection is made by the individual teams. This strategy is managed as a single portfolio, not as an asset allocation tool using two existing strategies. The investment philosophy and process is based upon current practices employed by both Standish and TBCAM.

Certain accounts include equities at the instruction of Standish’s clients. In these instances, Standish merely executes on behalf of the clients who retain investment discretion for equity activity.

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

### **Investment Process – Active Fixed Income**

Standish's Active Fixed Income investment process combines top-down, macroeconomic analysis with bottom-up research to identify attractive securities based on proprietary, fundamental research. Our top-down approach includes macroeconomic research to assess the overall risk environment, and determine broad portfolio themes, industry emphasis, and overall portfolio quality. Industry analysis includes identifying the key players within each industry, understanding the evolution and history of the industry, determining what business models are likely to be successful, and participating in key industry events when possible.

With this macroeconomic foundation in place, our analysts scour their respective industry universes to identify issuer- and security-level sources of potential alpha. In analyzing a specific company and its fixed income securities, we carefully assess the credit characteristics of each issuer. We thoroughly analyze key variables as they relate to Standish and conduct a comprehensive historical analysis of company operations and financials, including applying financial and scenario analysis of individual issuers. We focus on important leading indicators and measures of profitability, including management quality, free cash flow, financial flexibility, market share, revenue growth, margin trends, and access to capital. To assess the future direction of credit quality, we build our own pro-forma financials based on input/data received from the company, rating agency contacts and other sources. Our analysts also conduct one-on-one meetings with key senior management when possible and attend conferences and teleconferences where we have the opportunity to meet with and get to know management from a large range of issuers within a given industry.

### **Investment Process – Tax-Sensitive Fixed Income**

Standish's Tax-Sensitive Fixed Income approach has an objective of achieving superior after-tax return on an absolute and risk-adjusted basis versus the benchmark. Our investment process emphasizes the identification of undervalued sectors and securities in the municipal and taxable bond markets. Our focus is to capitalize on yield anomalies among municipal and taxable sectors, identify undervalued securities, and pinpoint relative value between particular bonds.

Standish uses a transparent, disciplined, and repeatable investment approach throughout all aspects of the portfolio construction process. This begins with in-depth fundamental and quantitative research. Standish has sector and region-specific research analysts whose main objectives are to identify multiple sources of excess income, identify potential spread tightening and widening, avoid unanticipated downgrades, and have zero tolerance for defaults. Our analysts, who cover both new and secondary market issues, develop credit opinions and make sector recommendations based on sector fundamentals, market conditions and Standish assessments relative to the ratings agencies' views.

Our senior portfolio managers and analysts work closely with our traders to define a strategy that reflects a diversified selection of sectors and securities with strong relative value that provides good balance during changing interest rate and yield curve environments. Taking into



consideration each client's investment guidelines, which are hard-coded into our proprietary pre-trade allocation system and the overarching investment strategy of the team, our traders have discretion to execute trades using their vast knowledge of current, projected and historical relative valuations in the marketplace.

### **Investment Strategies**

Standish's investment strategies span the wide range of actively managed fixed income disciplines. Our investment strategies use both quantitative and fundamental methods to search for value while employing rigorous risk management and a broad opportunity set.

#### **Core/Core Plus**

Objective: Generally maximized return relative to benchmark index over 3-5 year market cycle with appropriate amount of risk.

Benchmark: Includes Barclays Capital U.S. Aggregate Index, BofA Merrill Lynch Government/Credit Index or equivalent U.S. dollar bond index.

Investment Universe: Generally includes corporate bonds, mortgage/asset-backed securities, Treasuries/TIPS, non-us fixed income securities, and in the case of 'Plus' portfolios, high yield and emerging markets debt as well. The portfolio may employ various fixed income derivatives including futures, options, swaps and forward contracts.

Alpha Sources: Strategy seeks to add alpha through active management which may include decisions with respect to security selection, sector allocation and interest rate positioning.

Risk: Annualized tracking error is typically between 50-300 basis points.

#### **Investment Grade**

Objective: Generally maximized return relative to benchmark index over 3-5 year market cycle with appropriate amount of risk.

Benchmark: Includes Barclays Capital U.S. Corporate Investment Grade Index, Barclays Capital Long U.S. Corporate Index, Barclays Capital U.S. Credit, Barclays Capital Global Credit Index.

Investment Universe: Generally includes corporate bonds, non-us fixed income securities, and in certain cases high yield and emerging markets debt. The portfolio may employ various fixed income derivatives including futures, options, swaps and forward contracts.

Alpha Sources: Strategy seeks to add alpha through active management which may include decisions with respect to security selection and sector allocation.

Risk: Annualized tracking error is typically between 75-200 basis points.

### **Emerging Markets Debt**

Objective: Generally maximized return relative to benchmark index over 3-5 year market cycle with appropriate amount of risk.

Benchmark: Includes JP Morgan Government Bond Index – Emerging Markets Global Diversified Index, JP Morgan Emerging Markets Bond Index Global or similar index.

Investment Universe: Generally includes both external and local currency emerging market sovereign bonds, emerging market corporate bonds, and other non-us fixed income securities, and. The portfolio may employ various fixed income derivatives including futures, options, swaps and forward contracts.

Alpha Sources: Strategy seeks to add alpha through active management which may include decisions with respect to security selection, country rotation, active currency management and interest rate positioning.

Risk: Annualized tracking error is typically between 200-400 basis points.

### **High Yield**

Objective: Generally maximized return relative to benchmark index over 3-5 year market cycle with appropriate amount of risk.

Benchmark: Includes BofA Merrill Lynch High Yield Master II Index, BofA Merrill Lynch Global High Yield Constrained Index, and Barclays Capital U.S. Corporate High Yield Index.

Investment Universe: Generally includes U.S and non-U.S high yield and investment grade corporate bonds. The portfolio may employ various fixed income derivatives including futures, options, swaps and forward contracts.

Alpha Sources: Strategy seeks to add alpha through active management which may include decisions with respect to security selection and sector allocation.

Risk: Annualized tracking error is typically between 100-300 basis points.

### **Government, Mortgage and Interest Rate Strategies**

Objective: Generally provide return relative to benchmark index over 3-5 year market cycle consistent with the return of principal and appropriate amount of risk.

Benchmark: Includes Barclays Capital U.S. Intermediate Treasury Index, Barclays Capital U.S. Treasury Index, BofA Merrill Lynch US Treasury 1-10 Index, Barclays Capital U.S. Government Index, Barclays Capital Inflation Protected Securities Index, Barclays Capital GNMA Index.

Investment Universe: Generally includes U.S. Treasury and agency securities, agency mortgage backed securities, inflation protected securities, residential mortgage backed securities and other non-agency structured securities. The portfolio may employ various fixed income derivatives including futures, options, swaps and forward contracts.

Alpha Sources: Strategy seeks to add alpha through active management which may include decisions with respect to interest rate positioning, security selection and sector allocation.

Risk: Annualized tracking error is typically between 25-150 basis points.

## **Global**

Standish believes sophisticated fixed income investors, regardless of their location around the globe, understand the importance of diversifying outside of their domestic markets. Our global/international strategies take advantage not only of sovereign debt, but the increasingly robust global corporate bond market, utilizing our special expertise in corporate bond analysis. Strategies may be structured on a hedged or unhedged basis into any currency.

Objective: Generally maximized return relative to benchmark index over 3-5 year market cycle with appropriate amount of risk.

Benchmark: Includes Barclays Capital Global Aggregate Index, Barclays Capital Global Aggregate Ex-US Index, JP Morgan Global Government Bond Index, BofA Merrill Lynch Global Government 1-3 Index.

Investment Universe: Generally includes U.S. and non-U.S. corporate bonds, mortgage/asset-backed securities, Treasuries/TIPS, U.S. and non-U.S. government bonds, and in the case of 'Plus' portfolios, high yield and emerging markets debt as well. The portfolio may employ various fixed income derivatives including futures, options, swaps and forward contracts.

Alpha Sources: Strategy seeks to add alpha through active management which may include decisions with respect to security selection, sector allocation and interest rate positioning.

Risk: Annualized tracking error is typically between 75-200 basis points.

## **Opportunistic**

Objective: Generally maximized total return over 3-5 year market cycle with appropriate amount of risk.

Benchmark: Includes U.S. Dollar 3-month Libor, Bank Deposit Rates.

Investment Universe: Generally includes U.S. and non-U.S. corporate bonds, mortgage/asset-backed securities, Treasuries/TIPS, U.S. and non-U.S. government bonds, and in the case of 'Plus' portfolios, high yield and emerging markets debt as well. The portfolio may employ various fixed income derivatives including futures, options, swaps and forward contracts.

Alpha Sources: Strategy seeks to add alpha through active management which may include decisions with respect to security selection, sector allocation and interest rate positioning.

Risk: Annualized tracking error is typically between 200-500 basis points.

### **Insurance**

Objective: Generally provide return relative to benchmark index over 3-5 year market cycle consistent with the return of principal and appropriate amount of risk. Portfolios may also be structured to meet certain liability, liquidity and tax management needs.

Benchmark: Includes Barclays Capital U.S. Aggregate Index, BofA Merrill Lynch Government/Credit index or equivalent US dollar bond index.

Investment Universe: Generally includes corporate bonds, mortgage/asset-backed securities, Treasuries/TIPS, non-us fixed income securities, and in certain cases high yield and emerging markets debt. The portfolio may employ various fixed income derivatives including futures, options, swaps and forward contracts.

Alpha Sources: Strategy seeks to add alpha through active management which may include decisions with respect to security selection, sector allocation and interest rate positioning.

Risk: Annualized tracking error is typically between 50-150 basis points.

### **Liability Driven Investing (LDI)**

Objective: Generally provide return relative to benchmark index over 3-5 year market cycle consistent with the return of principal and appropriate amount of risk. Portfolios may also be structured to meet certain liability and liquidity management needs.

Benchmark: Includes Barclays Capital Long U.S. Corporate Index, Barclays Capital U.S. Long Credit Index or equivalent US dollar bond index and custom liability indices.

Investment Universe: Generally includes corporate bonds, Treasuries/TIPS, non-U.S. fixed income securities, and in certain cases high yield, emerging markets, and debt mortgage/asset-backed securities. The portfolio may employ various fixed income derivatives including futures, options, swaps and forward contracts.

Alpha Sources: Strategy seeks to add alpha through active management which may include decisions with respect to security selection, sector allocation and interest rate positioning.

Risk: Annualized tracking error is typically between 50-200 basis points.

## **Structured Products**

Objective: Generally maximized return relative to benchmark index over 3-5 year market cycle with appropriate amount of risk.

Benchmark: Includes Barclays Capital U.S. Securitized Index, CMBS, Barclays Capital U.S. Aggregate Bond Index and Barclays Capital Gov Credit Corporate Bond Index, REIT

Investment Universe: Generally includes non-agency residential mortgage-backed securities, consumer asset-backed securities and commercial real estate whole-loans and mortgage backed securities. The portfolio may employ various fixed income derivatives including futures, options, swaps and forward contracts.

Alpha Sources: Strategy seeks to add alpha through active management which may include decisions with respect to security selection and sector allocation.

Risk: Annualized tracking error is typically between 75-200 basis points.

## **Tax-Sensitive Fixed income**

Our strategy focuses on adding value by identifying undervalued sectors and securities through intensive fundamental and quantitative analysis. Through our research expertise and trading acumen our goal is to achieve best execution on relative value opportunities rather than relying on interest rate forecasting to deliver excess return. We emphasize the high quality, low volatility intermediate segment of the yield curve where incremental yield is maximized. We emphasize sound quality sectors and securities of the municipal market that we feel add value, subject to the constraints of the client's respective investment guidelines. We deemphasize exposures that we deem have weak fundamental outlook, offer minimal relative value and/or impart excessive volatility to portfolio returns.

Standish's tax-sensitive team determines investment strategy in a bottom-up process with input and leadership from portfolio management, research and trading teams. Expectations of relative quality and relative value are balanced to determine sector and security selection. Quantitative analytics help determine proper weighting of exposures to maximize consistent risk adjusted returns. The tax-sensitive team leverages the firm's macro strategy group consisting of economists, senior portfolio managers and sector strategists. This group helps guide our view on key macro factors that impact on the portfolios such as interest rates, yield curve and credit spreads. The tax-sensitive team limits reliance on duration management or significant yield curve maneuvering to deliver excess return.

## **Emerging Markets Countries Classification**

Standish currently maintains two different classifications for Emerging Markets countries. Unless directed by client guidelines, any non-Emerging Market strategy will follow the Barclays Capital Index criteria for EM country classification. Emerging Market dedicated strategies will follow a custom list that combines the JP Morgan Index criteria plus any countries the Emerging

Market team believes have similar fundamental or geopolitical risk with existing JP Morgan Index constituents.

**Barclays Capital EM Classification:** To be considered an Emerging Market country, the country must have a maximum sovereign rating of Baa1/BBB+/BBB+ as determined by the middle of Moody's, S&P, and Fitch long-term foreign currency debt ratings to qualify for country inclusion. If only two of the three agencies rate the sovereign, the lower rating is used to determine country eligibility. If only one of the three agencies rates the sovereign, the rating must be Baa1/BBB+/BBB+ or lower. Prior to January 1, 2006, the sovereign quality ceiling was Baa3/BBB-/BBB-.

**JPMorgan Index EM Classification:** To be considered an Emerging Market country, the country must be classified as low/middle income by the World Bank for at least two consecutive years (based on data lagged one year) to be eligible for inclusion in the index. An existing country may be considered for removal from the index only if it is categorized as High Income for at least five consecutive years (based on data lagged one year). After the fifth year, J.P. Morgan Research will consult with the Investment community in order to make a final decision on this country's inclusion/exclusion. Before July 2009, the exclusion rule required a country to be classified as High Income by the World Bank (based on data lagged one year) for only two consecutive years.

### **Environmental, Social and Governance Screening**

Certain clients wish to incorporate social and environmental standards into their portfolios. For these clients, we monitor their unique restrictions to meet their investment objectives. Standish also uses MSCI ESG Research to integrate Environmental, Social, and Governance (ESG) into our investment process and to restrict certain industries or specific issuers from being purchased/held in these clients' portfolios. This service enables us to screen for all publically traded companies involved in business activities restricted by the client's investment guidelines. MSCI ESG Research currently covers the following industries: Abortion, Alcohol, Adult Entertainment, Contraceptives, Firearms, Gambling, Military, Nuclear Power, Tobacco, Human Rights, Environment, Stem Cell, Predatory Lending, and Labor Relations. Standish has set certain screening thresholds when using ESG and can discuss these upon request.

### **Use of Derivatives in Active Fixed Income Strategies**

Except to the extent prohibited or limited by client agreements or guidelines, Standish from time to time includes derivatives in client portfolios. Derivatives may include, among other things, swaps, options and futures. Derivatives may be used for interest rate and other hedging purposes relating to particular investments or for overall portfolio management. In addition, derivatives may include credit default swaps, total return swaps, credit linked notes, forwards or other similar derivatives, which will typically relate to investments, or indexes of investments (such as CDX-related derivatives), that would be permitted to be held directly in the relevant client's portfolio; such derivatives generally replicate one or more aspects of directly investing in such investments. In the absence of a contrary direction in a client account agreement or guideline, Standish does not generally use derivatives for speculative purposes or to create leverage. In using derivatives, Standish takes into account, among other things, structural, operational and

counterparty risks, as well as the characteristics of the underlying investment or index.

In certain accounts, Standish is permitted to invest client assets in financial futures contracts and options on such futures contracts. A change in the level of interest rates, currency exchange rates or the rate of inflation may affect the value of a client's securities (or of securities that Standish expects to purchase on behalf of a client). Standish believes that futures contracts and options thereon may provide an effective mechanism for increasing or decreasing interest rate, currency exchange rate and general market exposure in changing markets and also believes that such techniques can be used to take advantage of temporary inefficiencies in the markets to enhance yields and returns.

The futures contracts may be based on various securities or indices, such as U.S. government securities, Eurodollar time deposits, securities indices, economic indices (such as the Consumer Price Indices compiled by the U.S. Department of Labor) and other financial instruments and indices. Standish engages in futures and related options transactions both for bona fide hedging and non-hedging purposes.

Standish uses long and short transactions in stock index and bond index futures to implement these strategies.

#### **Use of Trade Finance in Active Fixed Income Strategies**

Except to the extent prohibited or limited by client account agreements or guidelines, Standish from time to time uses techniques referred to as “trade financing” to seek incremental enhancement of portfolio returns. Trade financing techniques include, among other things, the use of a portfolio of fixed-income instruments to provide principal and income to fund total return swaps, treasury futures, mortgage TBAs and similar over-the-counter forward contracts. The purpose of trade financing is generally to exploit opportunities between spot and forward rates while using short to medium term instruments as a means of internally hedging the relevant trading position. While certain trade financing techniques have attributes that are similar to leveraging techniques, Standish does not believe its use of such techniques generally levers a client’s portfolio in relation to the applicable client account agreements or guidelines because aggregate portfolio risks do not exhibit properties of a levered portfolio. In addition, such instruments are backed by liquid collateral within the portfolio. In using trade financing techniques, Standish takes into account, among other things, structural, operational and counterparty risks.

#### **Cash Management – Active Fixed**

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

### **Cash Management – Tax-Sensitive**

We may hold some cash balances due to cash flows or limited availability of securities due to market conditions and we do not generally use cash for tactical judgments. We manage cash conservatively and excess cash is typically invested in short-dated high-quality notes or in the appropriate client selected cash sweep vehicle.

### **Risks**

Each investment strategy we offer invests in a variety of securities and employs a number of investment techniques that involve certain risks. The table below sets forth information concerning the material risks involved with each strategy. An “X” in the table indicates that the strategy involves the corresponding risk. An empty box indicates that the strategy does not involve the corresponding risk in a material way. However, an empty box does not guarantee that the strategy will not be subject to the corresponding risk.



RISKS	CORE	CORE PLUS	EMERGING MARKETS	GLOBAL	INVESTMENT GRADE	HIGH YIELD	INTEREST RATE	INSURANCE	LD/LONG DURATION	MUNICIPALS	OPPORTUNISTIC
General Risks	X	X	X	X	X	X	X	X	X	X	X
Asian emerging market risk		X	X	X			X		X		
Asset-backed securities risk	X	X		X		X	X	X	X		X
Banking industry risk	X	X		X	X	X	X	X	X		
Convertible securities risk	X	X			X	X		X	X		
Credit Default Swaps		X	X	X							
Credit-Linked Notes		X	X	X							X
Derivatives risk	X	X	X	X	X	X	X		X		X
Emerging market risk	X	X	X	X	X	X	X	X	X		X
Emerging market risk – fixed income	X	X	X	X	X	X	X	X	X		X
Foreign Currency Options		X	X	X							X
Foreign currency risk		X	X	X	X	X	X				X
Foreign government obligations and securities of supranational entities risk	X	X		X	X	X	X	X	X		X
Foreign investment risk	X	X		X	X	X	X	X	X		X
Forward Foreign Currency Exchange Transactions			X	X							
Futures Contracts	X	X	X	X	X		X		X		X
Government securities risk	X	X	X	X	X	X	X	X	X	X	X
High yield bond risk	X	X		X	X	X		X	X		X
Inflation-indexed security risk	X	X		X	X		X	X	X		X
Leverage risk	X	X		X		X	X				X
Municipal bond market risk	X	X			X			X	X	X	X
Municipal lease risk								X		X	
Municipal securities risk	X	X			X			X	X	X	X
Non-diversification risk	X	X		X	X	X	X		X	X	X
Options	X	X		X			X				X
Prepayment and extension risk	X	X		X	X		X	X	X		X
Short sale risk	X	X		X			X				
State-specific risk	X	X			X			X	X	X	X
Swap Agreements	X	X		X	X		X				X
Tax risk								X		X	
Trading Limitations	X	X		X	X		X		X		X

Investing in securities involves risk of loss that you should be prepared to bear. We do not guarantee or represent that our investment program will be successful. Our past results are not necessarily indicative of our future performance and our investment results may vary over time. We cannot assure you that our investments of your money will be profitable, and in fact, you could incur substantial losses. Your investments with us are not a bank deposit and are not insured or guaranteed by the FDIC or any other government agency.

The risks set forth below represent a general summary of the material risks involved in the investment strategies described above. If applicable, please refer to the “Risk Factors” section in the offering documents for a more detailed discussion of the risks involved in an investment in a fund.

- *Allocation risk.* The asset classes in which the strategy seeks investment exposure can perform differently from each other at any given time (as well as over the long term), so the strategy will be affected by its allocation among the various asset classes. If the strategy favors exposure to an asset class during a period when that class underperforms, performance may be hurt.
- *Call risk.* Some bonds give the issuer the option to call, or redeem, the bonds before their maturity date. If an issuer “calls” its bond during a time of declining interest rates, the strategy might have to reinvest the proceeds in an investment offering a lower yield, and therefore might not benefit from any increase in value as a result of declining interest rates. During periods of market illiquidity or rising interest rates, prices of “callable” issues are subject to increased price fluctuation.
- *Clearance and settlement risk.* Many emerging market countries have different clearance and settlement procedures from developed countries. There may be no central clearing mechanism of settling trades and no central depository or custodian for the safe keeping of securities. The registration, record-keeping and transfer of instruments may be carried out manually, which may cause delays in the recording of ownership. Increased settlement risk may increase counterparty and other risk. Certain markets have experienced periods when settlement dates are extended, and during the interim, the market value of an instrument may change. Moreover, certain markets have experienced periods when settlements did not keep pace with the volume of transactions resulting in settlement difficulties. Because of the lack of standardized settlement procedures, settlement risk in emerging markets is more prominent than in more mature markets.
- *Closed-end Investment Companies – Valuation Risk.* The interests of a closed-end investment company may trade above (a premium) or below (a discount) the net asset value of such entity’s portfolio. At times, discounts could widen or premiums could shrink, either diluting positive performance or compounding negative performance. There is no assurance that discounted entities will appreciate to their net asset value.
- *Correlation risk.* Although the strategy seeks to deliver returns that are not typically representative of the broad market by allocating its assets among satellite asset categories or investment strategies, there can be no guarantee that the performance of the underlying funds or the fund will have a low correlation to that of traditional asset classes under all market conditions.

- *Counterparty Creditworthiness.* Under certain conditions, a counterparty to a transaction could default and the market for certain securities or financial instruments in which the counterparty deals may become illiquid.
- *Counterparty risk.* The risk that a counterparty in a repurchase agreement or other derivative investment could fail to honor the terms of its agreement.
- *Country and sector allocation risk.* While the portfolio managers use the country and sector weightings of the strategy's benchmark index as a guide in structuring the strategy's portfolio, they may overweight or underweight certain countries or sectors relative to the index. This may cause the strategy's performance to be more or less sensitive to developments affecting those countries or sectors.
- *Country, industry and market sector risk.* The strategy may be overweighted or underweighted, relative to the a selected benchmark in companies in certain countries, industries or market sectors, which may cause the strategy's performance to be more or less sensitive to positive or negative developments affecting these countries, industries or sectors. In addition, the strategy may, from time to time, invest a significant portion (more than 25%) of its total assets in securities of companies located in particular countries, such as the United Kingdom and Japan, depending on such country's representation within the client's selected benchmark.
- *Credit risk.* Failure of an issuer to make timely interest or principal payments, or a decline or perception of a decline in the credit quality of a bond, can cause a bond's price to fall. See also "High yield bond risk."
- *Interest rate risk.* Prices of debt securities tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect the prices of these securities and, accordingly, the value of your investment. The longer the effective maturity and duration of the strategy's portfolio, the more the value of your investment is likely to react to interest rates. Mortgage-related securities can have a different interest rate sensitivity than other bonds, however, because of prepayments and other factors, and may carry additional risks and be more volatile than other types of debt securities due to unexpected changes in interest rates.
- *Investment strategy risk.* The strategy's sustainability investment criteria may limit the number of investment opportunities available to the strategy, and, as a result, at times the strategy's returns may be lower than those of strategies that are not subject to such special investment considerations.
- *Issuer risk.* The value of a security may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's products or services.
- *Liquidity risk.* When there is little or no active trading market for specific types of securities, it can become more difficult to sell the securities at or near their perceived value. In such a market, the value of such securities and the value of your investment may fall dramatically, even during periods of declining interest rates. Liquidity risk also exists when a particular derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price. The secondary market for certain municipal bonds tends to be less well developed or liquid than many other securities markets, which may adversely affect the strategy's ability to sell such municipal bonds at attractive prices..

- *Market risk.* The market value of a security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. A security's market value also may decline because of factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry.
- *Market sector risk.* A given strategy may significantly overweight or underweight certain companies, industries or market sectors, which may cause the strategy's performance to be more or less sensitive to developments affecting those companies, industries or sectors.
- *Preferred stock risk.* Preferred stock is a class of a capital stock that typically pays dividends at a specified rate. Preferred stock is generally senior to common stock, but subordinate to debt securities, with respect to the payment of dividends and on liquidation of the issuer. The market value of preferred stock generally decreases when interest rates rise and is also affected by the issuer's ability to make payments on the preferred stock.
- *Systemic Risk.* World events and/or the activities of one or more large participants in the financial markets and/or other events or activities of others could result in a temporary systemic breakdown in the normal operation of financial markets. Such events could result in a portfolio losing substantial value caused predominantly by liquidity and counterparty issues which could result in a portfolio incurring substantial losses.
- *U.S. Government Securities.* Each portfolio may invest in U.S. government securities, including bills, notes, bonds and other debt securities issued by the U.S. Treasury. These instruments are direct obligations of the U.S. government and, as such, are backed by the "full faith and credit" of the United States government. They differ primarily in their interest rates, the lengths of their maturities and the dates of their issuance. Each portfolio may also invest in securities issued by agencies or instrumentalities of the U.S. government. These obligations, including those guaranteed by federal agencies or instrumentalities, may or may not be backed by the "full faith and credit" of the United States government. All of the foregoing are referred to collectively as "U.S. government securities." Securities issued or guaranteed by agencies or instrumentalities are supported by (i) the full faith and credit of the United States; (ii) the limited authority of the issuer to borrow from the U.S. Treasury; or (iii) the authority of the U.S. government to purchase certain obligations of the issuer. No assurance can be given that the U.S. government will provide financial support to its agencies and instrumentalities as described in (ii) and (iii) above, other than as set forth, since it is not obligated to do so by law. In the case of securities not backed by the full faith and credit of the United States, a portfolio must look principally to the agency issuing or guaranteeing the obligation for ultimate repayment and may not be able to assert a claim against the United States if the agency or instrumentality does not meet its commitments.
- *Warrants and rights risk.* Warrants and rights may become worthless if the price of the stock does not rise above the exercise price by the expiration date. This increases the market risks of warrants as compared to the underlying security.
- *When-Issued and Delayed-Delivery Securities.* "When-issued" or "delayed delivery" refers to securities whose terms and indenture are available and for which a market exists, but which are not available for immediate delivery. While the portfolio will purchase securities on a when-issued or delayed-delivery basis only with the intention of acquiring the securities, the portfolio may sell the securities before the settlement date if it is deemed advisable. At the time the portfolio makes the commitment to purchase securities on a when-issued or

delayed delivery basis, the portfolio will record the transaction and thereafter reflect the value, each day, of the security in determining the net asset value of the portfolio. When these transactions are negotiated, the price (which is generally expressed in yield terms) is fixed at the time the commitment is made, but delivery and payment for the securities take place at a later date. During the period between commitment by a portfolio and settlement (generally within two months but not to exceed 120 days), no payment is made for the securities purchased by the purchaser, and no interest accrues to the purchaser from the transaction. These securities are subject to market fluctuation, and the value at delivery may be less than the purchase price. A portfolio will engage in when-issued transactions in order to secure what is considered to be an advantageous price and yield at the time of entering into the obligation. When a portfolio engages in when-issued or delayed-delivery transactions, it relies on the buyer or seller, as the case may be, to consummate the transaction. Failure to do so may result in a portfolio losing the opportunity to obtain a price and yield considered to be advantageous. If a portfolio chooses (i) to dispose of the right to acquire a when-issued security prior to its acquisition or (ii) to dispose of its right to deliver or receive against a forward commitment, it may incur a gain or loss. To the extent a portfolio engages in when-issued and delayed-delivery transactions, it will do so for the purpose of acquiring or selling securities consistent with its investment objectives and policies and not for the purposes of investment leverage. A portfolio enters into such transactions only with the intention of actually receiving or delivering the securities, although (as noted above) when-issued securities and forward commitments may be sold prior to the settlement date.

## **STRATEGY-SPECIFIC RISKS**

- *Asian emerging market risk.* Many Asian economies are characterized by over-extension of credit, frequent currency fluctuations, devaluations and restrictions, rising unemployment, rapid fluctuations in inflation, reliance on exports, and less efficient markets. Currency devaluation in one Asian country can have a significant effect on the entire region. The legal systems in many Asian countries are still developing, making it more difficult to obtain and/or enforce judgments. Furthermore, increased political and social unrest in some Asian countries could cause economic and market uncertainty throughout the region. The auditing and reporting standards in some Asian emerging market countries may not provide the same degree of shareholder/investor protection or information to investors as those in developed countries. In particular, valuation of assets, depreciation, exchange differences, deferred taxation, contingent liability and consolidation may be treated differently than under the auditing and reporting standards of developed countries.
- *Asset-backed securities risk.* General downturns in the economy could cause the value of asset-backed securities to fall. In addition, asset-backed securities present certain risks that are not presented by mortgage-backed securities. Primarily, these securities may provide the strategy with a less effective security interest in the related collateral than do mortgage-backed securities. Therefore, there is the possibility that recoveries on the underlying collateral may not, in some cases, be available to support payments on these securities.
- *Banking industry risk.* The risks generally associated with concentrating investments in the banking industry, such as interest rate risk, credit risk, and regulatory developments relating to the banking industry.

- *Convertible securities risk.* Convertible securities may be converted at either a stated price or stated rate into underlying shares of common stock. Convertible securities generally are subordinated to other similar but non-convertible securities of the same issuer. Although to a lesser extent than with fixed-income securities, the market values of convertible securities tend to decline as interest rates increase. In addition, because of the conversion feature, the market values of convertible securities tend to vary with fluctuations in the market value of the underlying common stock. Although convertible securities are designed to provide for a stable stream of income, they are subject to the risk that their issuers may default on their obligations. Convertible securities also offer the potential for capital appreciation through the conversion feature, although there can be no assurance of capital appreciation because securities prices fluctuate. Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality because of the potential for capital appreciation.
- *Credit Default Swaps (“CDS”)* The "buyer" in a credit default contract is obligated to pay the "seller" a periodic stream of payments over the term of the contract provided that no event of default on an underlying obligation has occurred. If a "credit event" occurs, the seller must pay the buyer the full notional value, or "par value," of the obligation. CDS transactions are either "physical settled" or "cash settled." Physical settlement entails the actual delivery by the buyer of the reference asset to the seller in exchange for the payment of the full par value of the reference asset. Cash settled entails a net cash payment from the seller to the buyer based on the difference of the par value of the reference asset and the current market value of the reference asset. The portfolio may be either the buyer or seller in a CDS transaction. CDS can be used to address the perception of the client that a particular credit, or group of credits, may experience credit improvement or deterioration. In the case of expected credit improvement, the portfolio may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the portfolio to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The portfolio may also buy credit default protection with respect to a reference entity if there is a high likelihood of perceived credit deterioration or for risk management purposes. In such instance, the portfolio will pay a premium regardless of whether there is a credit event. If the portfolio is a buyer and no credit event occurs, the portfolio will have made a series of periodic payments and recover nothing of monetary value. However, if a credit event occurs, the portfolio (if the buyer) will receive the full notional value of the reference obligation either through a cash or physical settlement. As a seller, the portfolio receives a fixed rate of income throughout the term of the contract, which typically is between six months and five years (but may be longer), provided that there is no credit event. CDS transactions may involve greater risks than if the portfolio had invested in the reference obligation directly. The CDS market in high yield securities is comparatively new and rapidly evolving compared to the CDS market for more seasoned and liquid investment-grade securities, creating the risk that the newer markets will be less liquid and it may be difficult to exit or enter into a particular transaction.
- *Credit Linked Note (“CLN”)*. We may purchase CLNs from time to time when we are unable to access certain markets. CLNs are created through a Special Purpose Vehicles (SPV) which owns the reference obligation and issues a security with same attributes as the underlying security. CLNs are over the counter securities negotiated with a dealer. In the event the counterparty defaults, the security could become illiquid or suffer significant price

depreciation or loss of principal as the CLN is a fully funded privately negotiated transaction. In the transaction, the dealer becomes the issuer and determines whether or not a risk event has occurred. Risk events can vary by dealer but are generally focused on credit events or settlement events. A credit event is generally triggered when the reference entity fails to pay or restructures its debt. Settlement events are generally triggered when changes in local laws or local market events prohibit the issuer from transacting in the reference security or currency. Following the determination of a risk event, the maturity date could be accelerated and the issuer will return value that is obtained from the highest bid in the payment currency. Under these circumstances, the value returned to holders could be zero.

- *Derivatives risk.* A small investment in derivatives could have a potentially large impact on the strategy's performance. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value, and there is the risk that changes in the value of a derivative held by the strategy will not correlate with the underlying instruments or the strategy's other investments. Derivative instruments also involve the risk that a loss may be sustained as a result of the failure of the counterparty to the derivative instruments to make required payments or otherwise comply with the derivative instruments' terms. Certain types of derivatives involve greater risks than the underlying obligations because, in addition to general market risks, they are subject to illiquidity risk, counterparty risk and credit risk. Additionally, some derivatives involve economic leverage, which could increase the volatility of these investments as they may fluctuate in value more than the underlying instrument. See also "Leverage risk."
- *Emerging market risk.* Emerging markets tend to be more volatile and less liquid than the markets of more mature economies, and generally have less diverse and less mature economic structures and less stable political systems than those of developed countries. The securities of issuers located or doing substantial business in emerging markets are often subject to rapid and large changes in price. In particular, emerging markets may have relatively unstable governments, present the risk of sudden adverse government or regulatory action and even nationalization of businesses, restrictions on foreign ownership on prohibitions of repatriation of assets, and may have less protection of property rights than more developed countries. The economies of emerging market countries may be based predominantly on only a few industries and may be highly vulnerable to changes in local or global trade conditions, and may suffer from extreme debt burdens or volatile inflation rates. Local securities markets may trade a small number of securities and may be unable to respond effectively to increases in trading volume, potentially making prompt liquidation of substantial holdings difficult. Transaction settlement and dividend collection procedures also may be less reliable in emerging markets than in developed markets.
- *Emerging market risk – fixed income.* The securities of issuers located in emerging markets tend to be more volatile and less liquid than securities of issuers located in the markets of more mature economies, and generally have less diverse and less mature economic structures and less stable political systems than those of developed countries. The fixed income securities of issuers located in emerging markets can be more volatile and less liquid than those of issuers in more mature economies. In addition, such securities often are considered to be below investment grade credit quality and predominantly speculative.
- *Foreign Currency Options.* We may take positions in options on foreign currencies for investment purposes or to hedge against the risk that foreign exchange rate fluctuations will

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

- *Forward Foreign Currency Exchange Transactions.* We may engage in spot transactions and use forward contracts for investment purposes and to protect against uncertainty in the level of future exchange rates. For example, these portfolios may use forward contracts in connection with existing portfolio positions to lock in the U.S. dollar value of those positions, to increase a portfolio's exposure to foreign currencies that may rise in value relative to the U.S. dollar or to shift the portfolio's exposure to foreign currency fluctuations from one country to another. The precise matching of the forward contract amounts and the value of the securities involved will not generally be possible because the future value of such securities in foreign currencies will change as a consequence of market movements in the value of those securities between the date the forward contract is entered into and the date it matures. Accordingly, it may be necessary for a portfolio to purchase additional foreign currency on the spot (that is, cash) market and bear the expense of such purchase if the market value of the security is less than the amount of foreign currency the portfolio is obligated to deliver and if a decision is made to sell the security and make delivery of the foreign currency. Conversely, it may be necessary to sell on the spot market some of the foreign currency received upon the sale of the portfolio security if its market value exceeds the amount of foreign currency the portfolio is obligated to deliver. Per current market convention, Standish typically does not employ ISDAs for foreign currency exchange transactions with maturities less than 3 months. In order to minimize risk, we roll these contracts monthly instead of quarterly.
- *Foreign currency risk.* Investments in foreign currencies are subject to the risk that those currencies will decline in value relative to the U.S. dollar, or in the case of hedged positions, that the U.S. dollar will decline relative to the currency being hedged. Currency exchange rates may fluctuate significantly over short periods of time. A decline in the value of foreign currencies relative to the U.S. dollar will reduce the value of securities held by the strategy and denominated in those currencies. Foreign currencies are also subject to risks caused by inflation, interest rates, budget deficits and low savings rates, political factors and government controls.
- *Foreign government obligations and securities of supranational entities risk.* Investing in the sovereign debt of emerging market countries creates exposure to the direct or indirect consequences of political, social or economic changes in the countries that issue the securities or in which the issuers are located. The ability and willingness of sovereign obligors in emerging market countries or the governmental authorities that control repayment of their debt to pay principal and interest on such debt when due may depend on general economic and political conditions within the relevant country. Certain countries in which the strategy may invest have historically experienced, and may continue to experience, high rates of inflation, high interest rates and extreme poverty and unemployment. Some of these



countries also characterized by political uncertainty or instability. Additional factors which may influence the ability or willingness to service debt include a country's cash flow situation, the availability of sufficient foreign exchange on the date a payment is due, the relative size of its debt service burden to the economy as a whole and its government's policy towards the International Monetary Fund, the International Bank for Reconstruction and Development and other international agencies. The ability of a foreign sovereign obligor to make timely payments on its external debt obligations also will be strongly influenced by the obligor's balance of payments, including export performance, its access to international credits and investments, fluctuations in interest rates and the extent of its foreign reserves. A governmental obligor may default on its obligations. Some sovereign obligors in emerging market countries have been among the world's largest debtors to commercial banks, other governments, international financial organizations and other financial institutions. These obligors, in the past, have experienced substantial difficulties in servicing their external debt obligations, which led to defaults on certain obligations and the restructuring of certain indebtedness.

- *Foreign investment risk.* Special risks associated with investments in foreign companies include exposure to currency fluctuations, less liquidity, less developed or less efficient trading markets, lack of comprehensive company information, political or economic instability, seizure or nationalization of assets, imposition of taxes or repatriation restrictions and differing auditing and legal standards. The securities of issuers located in emerging markets can be more volatile and less liquid than those of issuers in more mature economies.
- *Futures Contracts.* Futures contracts generally provide a high degree of liquidity and a low level of counterparty performance and settlement risk. While the use of futures contracts by a portfolio can amplify a gain, it can also amplify a loss. This loss can be substantially more money than the initial margin posted by the portfolio pursuant to the contracts. There is no assurance of market liquidity for futures contracts, whether traded on an exchange or in the over-the-counter market and, as a result, there may be times where a portfolio would not be able to close a future investment position when it wanted to do so. Upon entering into a futures transaction, a portfolio will generally be required to deposit an initial margin payment with the futures commission merchant (the "futures broker"). The initial margin payment will be deposited with a portfolio's custodian in an account registered in the futures broker's name; however, the futures broker can gain access to that account only under specified conditions. As the future is marked-to-market to reflect changes in its market value, subsequent margin payments, called variation margin, will be paid to or by the futures broker on a daily basis. Prior to expiration of the future, if a portfolio elects to close out its position by taking an opposite position, a final determination of variation margin is made, additional cash is required to be paid by or released to the portfolio, and any loss or gain is realized for tax purposes. Position limits also apply to futures traded on an exchange. An exchange may order the liquidation of positions found to be in violation of those limits and may impose certain other sanctions. Initial margin is posted to a collateral pool which may be used to cover third-party liabilities in an event of default by a clearing broker or a major clearing broker's client.
- *Government securities risk.* Not all obligations of the U.S. government's agencies and instrumentalities are backed by the full faith and credit of the U.S. Treasury. Some obligations are backed only by the credit of the issuing agency or instrumentality, and in some cases there may be some risk of default by the issuer. Any guarantee by the U.S.

government or its agencies or instrumentalities of a security held by the strategy does not apply to the market value of such security. A security backed by the U.S. Treasury or the full faith and credit of the United States is guaranteed only as to the timely payment of interest and principal when held to maturity. In addition, because many types of U.S. government securities trade actively outside the United States, their prices may rise and fall as changes in global economic conditions affect the demand for these securities.

- *High yield bond risk.* The strategy may invest to a limited extent in high yield bonds. High yield (“junk”) bonds involve greater credit risk, including the risk of default, than investment grade bonds, and are considered predominantly speculative with respect to the issuer’s ability to make principal and interest payments. The prices of high yield bonds can fall dramatically in response to bad news about the issuer or its industry, or the economy in general.
- *Inflation-indexed security risk.* Interest payments on inflation-indexed securities can be unpredictable and will vary as the principal and/or interest is periodically adjusted based on the rate of inflation. If the index measuring inflation falls, the interest payable on these securities will be reduced. The U.S. Treasury has guaranteed that in the event of a drop in prices, it would repay the par amount of its inflation-indexed securities. Inflation-indexed securities issued by corporations generally do not guarantee repayment of principal. Any increase in the principal amount of an inflation-indexed security will be considered taxable ordinary income, even though investors do not receive their principal until maturity. As a result, the strategy may be required to make annual distributions that exceed the cash the strategy received, which may cause the strategy to liquidate certain investments when it is not advantageous to do so. Also, if the principal value of an inflation-indexed security is adjusted downward due to deflation, amounts previously distributed may be characterized in some circumstances as a return of capital.
- *Leverage risk.* The use of leverage, such as engaging in reverse repurchase agreements, lending portfolio securities, entering into futures contracts or forward currency contracts, investing in inverse floaters, entering into short sales, the use of portfolio leverage or margin and engaging in forward commitment transactions, may magnify the strategy’s gains or losses. Because many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, reference rate or index can result in a loss substantially greater than the amount invested in the derivative itself. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment.
- *Municipal bond market risk.* The amount of public information available about municipal bonds is generally less than that for corporate equities or bonds. Special factors, such as legislative changes, and state and local economic and business developments, may adversely affect the yield and/or value of the strategy’s investments in municipal bonds. Other factors include the general conditions of the municipal bond market, the size of the particular offering, the maturity of the obligation and the rating of the issue. Changes in economic, business or political conditions relating to a particular municipal project, municipality, or state in which the strategy invests may have an impact on the value of your investment.
- *Municipal lease risk.* Because municipal leases generally are backed by revenues from a particular source or that depend on future appropriations by municipalities and are not obligations of their issuers, they are less secure than most municipal obligations.
- *Municipal securities risk.* Investments in municipal securities may be affected by a variety of factors in the cities, states and regions in which the strategy invests, as well as the municipal market as a whole. Special factors, such as legislative changes and local and

business developments, may adversely affect the yield and/or market value of the strategy's investments in municipal securities. Other factors include the general conditions of the municipal securities market, the size of a particular offering, the maturity of the obligation and the rating of the issue. Changes in economic, business or political conditions relating to a particular municipal project, municipality, or state in which the strategy invests may have an impact on the value of your investment.

- *Non-diversification risk.* A strategy maybe non-diversified, which means that the strategy may invest a relatively high percentage of its assets in a limited number of issuers. Therefore, the strategy's performance may be more vulnerable to changes in the market value of a single issuer or group of issuers and more susceptible to risks associated with a single economic, political or regulatory occurrence than a diversified strategy.
- *Options.* Options positions may include both long positions, where a portfolio is the holder of put or call options, as well as short positions, where a portfolio is the seller (writer) of an option. Option techniques can involve a relatively higher level of risk. The expiration of unexercised long options effectively results in loss of the entire cost, or premium paid, for the option. Conversely, the writing of an uncovered put or call option can involve, similar to short-selling, a theoretically unlimited risk of an increase in a portfolio's cost of selling or purchasing the underlying securities in the event of exercise of the option.
- *Prepayment and extension risk.* When interest rates fall, the principal on mortgage-backed and certain asset-backed securities may be prepaid. The loss of higher yielding underlying mortgages and the reinvestment of proceeds at lower interest rates can reduce the strategy's potential price gain in response to falling interest rates, reduce the value of your investment. When interest rates rise, the effective duration of the strategy's mortgage-related and other asset-backed securities may lengthen due to a drop in prepayments of the underlying mortgages or other assets. This is known as extension risk and would increase the strategy's sensitivity to rising interest rates and its potential for price declines.
- *Short sale risk.* Some strategies make short sales, which involves selling a security it does not own in anticipation that the security's price will decline. Short sales expose the strategy to the risk that it will be required to buy the security sold short (also known as "covering" the short position) at a time when the security has appreciated in value, thus resulting in a loss to the strategy. Short positions in stocks involve more risk than long positions in stocks because the maximum sustainable loss on a stock purchased is limited to the amount paid for the stock plus the transaction costs, whereas there is no maximum attainable price on the shorted stock. In theory, stocks sold short have unlimited risk. The strategy may not always be able to close out a short position at a particular time or at an acceptable price. The strategy may not always be able to borrow a security the strategy seeks to sell short at a particular time or at an acceptable price. Thus, there is a risk that the strategy may be unable to fully implement its investment strategy due to a lack of available stocks or for some other reason. It is possible that the market value of the securities the strategy holds in long positions will decline at the same time that the market value of the securities the strategy has sold short increases, thereby increasing the strategy's potential volatility.
- *State-specific risk.* A state -specific strategy is subject to the risk of that state's economy, and the revenues underlying its municipal bonds, may decline. Investing primarily in a single state makes the strategy more sensitive to risks specific to the state and may magnify other risks.

- *Swap Agreements.* These transactions are entered into in an attempt to obtain a particular return when it is considered desirable to do so, possibly at a lower cost to a portfolio than if the portfolio had invested directly in an instrument that yielded that desired return. Swap agreements are two party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than one year. In a standard "swap" transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments, which may be adjusted for an interest factor. The gross returns to be exchanged or "swapped" between the parties are generally calculated with respect to a "notional amount," i.e., the return on or increase in value of a particular dollar amount invested at a particular interest rate, in a particular foreign currency, or in a "basket" of securities representing a particular index. Forms of swap agreements include interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or "cap"; interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates fall below a specified rate, or "floor"; and interest rate collars, under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels. A swap option is a contract that gives a counterparty the right (but not the obligation) to enter into a new swap agreement or to shorten, extend, cancel or otherwise modify an existing swap agreement, at some designated future time on specified terms. Each Fund may write (sell) and purchase put and call swap options.
- *Tax risk.* To be tax-exempt, municipal bonds generally must meet certain regulatory requirements. If any such municipal bond fails to meet these regulatory requirements, the interest received by the strategy from its investment in such bonds and distributed to you will be taxable.
- *Trading Limitations.* For all securities, including options, listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances. These suspensions or limits could render certain strategies difficult to execute or continue and subject a portfolio to loss.

## **Item 9. Disciplinary Information**

Standish is not a defendant in any of the complaints or actions described in the following paragraph.

Several State Attorney General's Offices, the U.S. Attorney's Office for the Southern District of New York and certain individual plaintiffs have filed civil complaints against The Bank of New York Mellon Corporation ("BNY Mellon"), the parent company of Standish. Certain of these complaints supersede complaints that had been filed by a purported whistleblower under state false claims act statutes. In addition, the Massachusetts Securities Division has filed an administrative complaint against BNY Mellon. These actions allege that BNY Mellon improperly charged and reported prices for standing instruction foreign exchange ("FX") transactions executed in connection with custody services provided by BNY Mellon. BNY Mellon believes that the claims asserted in the actions are without merit, and reflect a

fundamental misunderstanding of the role of custodian banks and the operation of institutional FX markets. BNY Mellon plans to defend itself vigorously on behalf of its shareholders.

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

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

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

Standish may enter into transactions with unaffiliated counterparties or third party service providers who then use Standish's affiliates to effect or complete such transactions. Services provided by such affiliates may include, for example, execution and clearance of trades, issuance or cancellation of depositary receipts, foreign exchange or other services not contemplated by Standish. Such affiliates may receive compensation for providing these services. The decision to use Standish's affiliate in these circumstances, however, is made by the unaffiliated counterparty or third party service provider. Further, Standish often is unaware that the counterparty has chosen to use Standish's affiliate to provide such services.

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

##### **BNY Mellon Incentive Compensation Plan**

BNY Mellon has adopted an incentive compensation program ("Program") designed to reward internal referrals of business and opportunities, and:

- 1) Help clients understand and gain access to the full range of products and services offered by BNY Mellon and its subsidiaries; and
- 2) Expand and develop client relationships.

The Program promotes BNY Mellon's corporate values of Client Focus, Trust, Teamwork and Outperformance by encouraging the cross-selling of BNY Mellon's broad array of services and products throughout the organization to better meet a current or prospective client's full range of needs for financial products and services, and to expand customer relationships. The Program seeks to financially reward (via bonus or referral fee) eligible employees who offer a business

lead that results in a sale of certain affiliated products or services to existing clients and prospects. These bonuses and referral fees may be paid to us and our employees for referring business (services or products) to our affiliates, and our affiliates and their employees may receive bonuses and referral fees for referring business to us. The bonuses and referral fees may be based on the number of referrals made and/or the revenue generated by the referral. Certain types of regulated entities, employees and referrals may be ineligible for the Program or subject to restrictions under applicable law or internal procedures governing the earning of such rewards. These referral fees and bonuses may create conflicts of interest for us and our employees because we have an incentive to encourage our clients to engage in transactions with our affiliates, based on the compensation that we will receive for these referrals, rather than our clients' needs.

### **Affiliated Placement Agents**

We have affiliated "placement agents," including MBSC Securities Corporation and BNY Mellon Asset Management International Limited, who solicit persons to invest in various private funds as well as our separate account products and may also provide other administrative services. Certain private funds have entered into agreements with these placement agents to pay them commissions or fees for such solicitations and services. We or our affiliates are solely responsible for the payment of these commissions and fees - they will not be borne by the private funds and their investors. Standish, or our affiliates, pay these commissions and fees out of our profits, and these payments do not increase the fees paid by the private fund's investors. These financial incentives may cause the placement agents and their employees and/or salespersons to steer investors toward those private funds that will generate higher commissions and fees. Please see Item 14 for more information on the compensation arrangements related to client referrals.

Certain of our sales and client service employees are registered representatives of our affiliate, MBSC Securities Corporation, a registered broker-dealer under the Securities Exchange Act of 1934, as amended, and a member of FINRA. In their capacity as registered representatives of MBSC, these employees sell and/or provide services regarding private funds managed by us. There is a financial arrangement in place between us and MBSC.

### **Affiliated Service Providers**

In addition, to the extent permitted by law, placement agents and their respective affiliates may provide brokerage and certain other financial and securities services to us, our affiliates or related private funds. Such services, if any, will be provided at competitive rates. BNY Mellon is also affiliated with service providers, distributors and consultants that may provide services and may receive fees from BNY Mellon in connection with such services, which may incentivize such persons to distribute interests in a private fund or other BNY Mellon products.

Standish has entered into an agreement with its affiliate, Fixed Income and Cash AM Service Company LLC ("FICAM"), to provide certain operational and systems support. FICAM provides similar services to other affiliates of Standish.

Standish also engages in sub-advisory relationships with other BNY Mellon affiliated companies, including BNY Mellon Asset Management International Limited, BNY Mellon Asset

Management (UK) Limited and The Boston Company Asset Management, LLC. Standish has entered into a service level agreement with its affiliate The Bank of New York Mellon (BNY Mellon Pension Services Group) for the provision of certain actuarial services utilized in certain strategies managed by Standish.

### **Dual Officers and Employees**

Some of our employees act as dual officers of The Bank of New York Mellon (“BNY Mellon”), an affiliated New York chartered bank, and/or as employees of The Dreyfus Corporation (“Dreyfus”), an affiliated registered investment adviser, for the purpose of performing investment management and related functions.

Some BNY Mellon dual officers provide investment advice generally for certain pooled funds sponsored and managed by BNY Mellon, including some of the portfolios within The Boston Company, Inc. Pooled Employees Funds, a collective investment vehicle for qualified pension plans maintained by BNY Mellon. These officers may also provide investment advice for certain collective and common trust funds maintained by BNY Mellon as discretionary trustee and for certain separately managed accounts for which The BNY Mellon may be trustee, custodian, or investment manager. For these services, Standish receives a portion of the investment management fee based upon the assets under management within the fund. These officers also provide investment advice for the BNY Series Trust, a Delaware Statutory Trust and a Cayman Segregated Portfolio Company, in their capacity as dual officers of BNY Mellon. Personnel of Standish, in their capacity as dual officers of BNY Mellon, provide investment management for the Opportunistic Fixed Income Fund and the Tax-Sensitive Absolute Return Fund, both of which are funds of the BNY Series Trust, a Delaware statutory trust. Some of Standish’s affiliates provide investment management services for the other series funds of the BNY Series Trust.

In their capacities as Dreyfus employees, these Firm personnel provide investment advisory services to certain affiliated registered investment companies. For such services, we receive a portion of the investment management fee received by Dreyfus from each investment company to which it renders advice.

From time to time, Standish may use investment management services provided to it by “participating affiliates” (as such term is used in relief granted by the staff of the U.S. Securities and Exchange Commission (“SEC”) in a series of no-action letters allowing a registered adviser to use portfolio management and trading and research services and resources provided by an unregistered affiliate subject to the supervision of the registered adviser). Standish has entered into an agreement with BNY Mellon Asset Management (UK) Limited (“BNYMAM”), an asset management affiliate of Standish, pursuant to which BNYMAM is considered a participating affiliate. BNYMAM and certain of its employees have been deemed associated persons of Standish and (subject to Standish’s supervision) may provide portfolio management, research and trading services in connection with Standish’s management of one or more client accounts. BNYMAM will act in accordance with the series of SEC no-action letters referred to above requiring BNYMAM, as a participating affiliate, to be subject to the supervision of Standish and the SEC in the manner contemplated in such letters. BNYMAM has agreed to submit to the

jurisdiction of U.S. courts for actions arising under the U.S. securities laws in connection with its investment advisory activities provided for Standish's U.S. clients and has appointed an appropriate agent for service of process, in each case in accordance with, and subject to the requirements of, such letters. Under the aforementioned agreement, Standish pays compensation to BNYMAM for the services of the associated persons.

### **Other Relationships**

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

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

Standish, in its capacity as a nondiscretionary investment adviser, also provides a limited number of research reports and approved credit lists to certain affiliates for their use in fulfilling their investment management responsibilities to their clients, including reports and verbal updates covering securities which may be held in client accounts managed by the Standish. Such reports do not include buy/sell/hold recommendations.

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

We are affiliated with a significant number of advisers and broker/dealers. As a result, it is possible that a related person other than Standish's officers and directors may, as agent without knowledge or intent, effect securities transactions for Standish's clients for compensation. However, Standish does not participate in any transactions of this type, as Standish does not use affiliated broker-dealers in effecting securities transactions for its clients. Please see Form ADV, Part 1A - Schedule D, Section 7.A. for a list of our affiliated advisers and broker/dealers.

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



Certain unaffiliated broker-dealers used by Standish to execute trades for its clients in turn use a broker who is an affiliate of Standish to clear those trades. In such cases, the clearing broker receives a clearance fee negotiated and paid by the executing broker-dealer. The decision to use an affiliate of Standish in these circumstances is made by the unaffiliated executing broker-dealer, and Standish has no influence over whether a broker-dealer which it selects for execution of client trades clears through an affiliate of Standish, or the financial arrangement between them. Further, Standish is often unaware that the executing broker-dealer has chosen to use an affiliate of Standish to clear its trades.

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

### **Affiliated Underwriters**

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

BNY Mellon has established a policy regarding purchases of securities in an offering in which an affiliate acts as an underwriter or as a member of the underwriting syndicate. In compliance with applicable banking, securities and ERISA regulations, we may purchase on behalf of our clients securities in an offering in which an affiliate is acting as an underwriter or as a member of the underwriting syndicate during the syndication period, so long as requirements of the policy, including written approval and compliance with certain investment criteria are met. The policy prohibits direct purchases from an affiliate for any fiduciary account under any circumstances.

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

### **Affiliated Wrap Sponsors**

We are a participant in a wrap program sponsored by an affiliate, MBSC Securities Corporation. With respect to accounts which are opened through the wrap program in which Standish is a portfolio manager, we will utilize brokers consistent with our broker-dealer selection policy and consistent with seeking best execution for the client. Standish does not utilize the execution services of the wrap program sponsor, or such sponsor's affiliate. Because we utilize other brokers, this would typically result in commission charges payable by the client in addition to the

wrap program fee. Both affiliated and non-affiliated wrap sponsors may obtain advisory, brokerage, clearing, and other wrap program services from our affiliates, including among others, Pershing LLC and MBSC Securities Corporation.

Our relationships with wrap program sponsors may create conflicts of interest for the sponsors and us. A client in a wrap program has access to those investment advisers participating in the program. Wrap program sponsors typically select the investment advisers who participate in the program, and provide advice to clients regarding the selection of an investment adviser from among the advisers participating in the program. If the wrap program sponsor is affiliated with us, the sponsor may have an incentive to give us access to the program and to steer clients toward us, based on the affiliation rather than based on our expertise or performance or the client's needs. However, we are subject to the same selection and review criteria as the other advisers who participate in our affiliates' wrap programs.

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

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

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

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

- 1) Conflicts of Interest: gifts, entertainment and other payments; personal conflicts of interest; fiduciary appointments and bequests; outside affiliations, outside employment and certain outside compensation issues; and disclosure of relationships and transactions;
- 2) Proper Use and Care of Information and Proper Recordkeeping: proprietary information and intellectual property; data integrity and corporate information; use of e-mail and internet; accurate accounting and internal controls; use of non-public or "inside" information; talking to the media; and document retention;
- 3) Dealing with Customers, Prospects, Suppliers, and Competitors: business relationships with customers, prospects, suppliers, and competitors; business decisions; exploitation of relationships and use of the company's name, letterhead or facilities; knowing your customer; and recognizing and reporting illegal, suspicious, or unusual activities;
- 4) Doing Business With the Government: complying with government contracts, government contracting laws and regulations; integrity in the sales and marketing process; truthful, accurate statements and recordkeeping; safeguarding government information and property; cooperating with government audits and investigations; and meeting employment and labor

obligations;

- 5) Personal Finances: personal investments; personal brokerage accounts; political campaign contributions; contributions to not-for-profit entities; and individual employees' regulatory requirements; and
- 6) Compliance with the Law: among other matters illegal or criminal activities; investigations; and protection of company assets.

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

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

- 1) Investment Employee ("IE"): IEs are employees who, as part of their responsibilities, have access to nonpublic information regarding any advisory client's purchase or sale of securities or nonpublic information regarding the portfolio holdings of any Proprietary Account, or are involved in making securities recommendations to advisory clients or have access to such recommendations before they are public.
- 2) Access Decision Maker ("ADM"): ADMs (generally portfolio managers and research analysts who make recommendations or decisions regarding the purchase or sale of equity, convertible debt and non-investment grade debt securities for mutual funds and other managed accounts) are subject to the most extensive procedures under the PSTP.
- 3) Other Employee ("OE"): Our employees are considered OEs if they are not an IE or ADM.

PSTP Overview:

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

influence or control over the investment decision-making process); transactions done pursuant to automatic investment plans; and certain other transactions detailed in the PSTP which are either involuntary or deemed not to present any potential conflict of interest;

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

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

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

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

“Principal Transactions” are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys any security from or sells any security to any client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated pooled investment vehicle and another client account. When an investment adviser engages in a principal transaction, it may have an incentive to favor its own interests over the interests of its client.

It is our policy that neither we nor any of our officers or directors shall, as principal, buy securities for itself from or sell securities it owns to any client. However, we are part of a large diversified financial organization, which includes banks and broker-dealers. As a result, it is possible that a related person other than our officers and directors, may, as principal, purchase securities from, or sell securities to our clients. Standish does not engage in principal transactions.

From time to time securities to be sold on behalf of a client may be suitable for purchase by another client. In such instances, if we determine in good faith that the transaction is in the best interest of each client, then we may arrange for the securities to be transferred between the client accounts at an independently determined fair market value (a “cross trade”). Cross trades present conflicts of interest, as there may be an incentive for us to favor one client to the cross trade over the other. For example, if one client account pays performance fees to Standish, while the other client account pays only asset-based fees, we would have a financial incentive to favor the performance fee paying account in the cross-trade. However, note that cross trades are subject to Advisers Act restrictions, and will only be undertaken by us as permitted under applicable law. We do not receive fees or commissions when making these trades.

In a limited number of client accounts (primarily those utilizing a tax-sensitive strategy or insurance strategy), Standish may from time to time deem securities to be sold on behalf of one client account suitable for purchase on behalf of another client account, in particular odd-lot purchases and those securities not generally available in the market. If Standish determines in good faith that the transaction is in the best interests of each such client and is consistent with its duty to seek best execution, Standish may perform an internal cross-trade of such securities at an independently determined fair market value. Neither Standish nor any broker-dealer affiliated with Standish will receive any commission or transaction-based compensation directly or indirectly in connection with such cross-trade.

We or our affiliates may invest in the same securities that we or our affiliates recommend to clients. When we or an affiliate currently holds for our own benefit the same securities as a client, we could be viewed as having a potential conflict of interest. For example, we or our affiliate could be seen as harming the performance of the client’s account for our own benefit if we short-sell the securities in our own account while holding the same securities long in the client account, causing the market value of the securities to move lower.

We or our affiliates may recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that we or one of our affiliates buys or sells the same securities for our (or the affiliate’s) own account. This practice may give rise to a variety of potential conflicts of interest, particularly with respect to aggregating, allocating and sequencing securities being purchased on both our (or the affiliate’s) behalf and our clients’ behalf. For example, we could have an incentive to cause a client or clients to participate in an offering because we desire to participate in the offering on our own behalf, and would otherwise be unable to meet the minimum purchase requirements. Likewise, we could have an incentive to cause our clients to participate in an offering to increase our overall allocation of securities in that offering, or to increase our ability to participate in future offerings by the same underwriter or issuer. On the other hand, we could have an incentive to cause our clients to minimize their participation in an offering that has limited availability so that we do not have to share a proportionately greater amount of the offering to the client. Allocations of aggregated trades might likewise raise a potential conflict of interest as we may have an incentive to allocate securities that are expected to increase in value to ourselves. See Item 12 for a discussion of our brokerage and allocations practices and policies. Further, a potential conflict of interest could be viewed as arising if a transaction in our own account closely precedes a transaction in related securities in a client account, such as when a subsequent purchase by a client account increases

the value of securities that were previously purchased for ourself. Standish's compliance personnel reviews monthly performance dispersion reports for any outliers to assess potential harm caused by trades in our own accounts to client accounts.

## **Item 12. Brokerage Practices**

**Broker Selection:** In most cases we have the authority to direct securities transactions on behalf of our clients to broker-dealers we select. In doing so, we seek best execution of such transactions. When seeking best execution, we consider the full range and quality of a broker-dealer's services including, among other things, commission rates, a broker's trading expertise, reputation and integrity, facilities, financial services offered, willingness and ability to commit capital, access to under-written offerings and secondary markets, reliability both in executing trades and keeping records, fairness in resolving disputes, value provided, execution capability, financial responsibility and responsiveness to Standish.

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

As a matter of policy, we do not utilize "soft dollar" arrangements, but do receive research of the type that is customarily provided by brokers or dealers to their institutional customers, which may be useful to us in serving the accounts that we advise. Although our receipt of such research services does not reduce our normal independent research activities, it may enable us to avoid the additional expenses that we might otherwise incur if we were to attempt to independently develop comparable information.

It is possible that some of our affiliates whom we appoint as sub-advisers may have a different policy regarding the use of soft dollars.

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

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

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

**Directed Brokerage:** We may accept direction from a client to place trades for a client's account with a particular broker-dealer. At times, a client will instruct us to direct a portion of its commissions to a specified broker-dealer. In the event that such direction occurs, we may have limited capability to negotiate commission levels or obtain volume discounts. In addition, in meeting the client's brokerage directive, we may not be able to aggregate these transactions with

transactions we effects for other accounts we manages and we may delay placing the orders for directed accounts until our orders for other accounts have been completed. As a result, the net price paid or received by the directed account may be different than the price paid or received by our other accounts, as we may be unable to achieve the most favorable execution. Directing brokerage may cost clients more money.

#### Trade Aggregation:

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

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

#### Trade Allocation:

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

Any deviation from the pro rata allocation policy shall be for good cause. For Standish's Active Fixed Division, on a daily basis the Head of Trading checks the partial fill report which shows any deviations from pro-rata allocation policy. Deviations are usually due to a cash flow in an account, minimum denomination increments or diminimus allocations.

Standish's Tax-Sensitive Division's trading desk utilizes an allocation system which uses strict algorithms related to cash level, state of residence and investment strategy targets and guidelines to ensure that the most appropriate accounts are considered for purchases. In most instances vendor and proprietary systems are used to make a formal allocation on a pre-trade basis. Certain tax-sensitive client accounts/funds with specialized or concentrated investment policies may have a priority over non-specialized accounts/funds for liquidity reasons. The Head of Trading for Standish's Tax-Sensitive division reviews all trades on a daily basis. In addition, a member of the team matches all trade tickets for the prior day to the daily trade report.

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

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

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

Tax-Sensitive Division: The Standish Tax Sensitive Division strategy team is constantly reviewing current portfolio positioning and strategy, both in formal regularly scheduled meetings and ad-hoc in response to ideas or changing market conditions. The investment strategy is reaffirmed or modified and changes are substantiated and documented. Each portfolio is compared to the strategy targets by Portfolio Managers and Traders. There are custom and external systems to support the monitoring of the exposures in each portfolio versus index and investment strategy.

The Standish Tax Sensitive Division uses a team approach to managing municipal portfolios. The Portfolio Manager assigned to each portfolio oversees the overall portfolio and included bonds. The Portfolio Manager compares the portfolio to client guidelines and muni strategy to ensure the portfolio meets all parameters, and has the final authority on investment decisions. Analysts conduct intensive fundamental and quantitative proprietary research, which together with the trading desk, guides sector allocation and security selection. Fundamental research analysts will give their opinions on noteworthy issues, and the quantitative analyst will then offer conclusions given historical performance, current data, and bond forecasting. Muni traders buy or sell bonds depending on their relative value and consistent with the investment strategy that is determined by the team. As well as, individual client guidelines are hard coded into the trading system and adhered to without exception.

Reports include asset lists, performance and transaction updates which are provided to clients at least quarterly. These statements may describe assets held, quantity and market price for each



position and the market value of the account. Additional supplementary information and reports may be prepared for clients, highlighting characteristics such as duration, sector weightings, etc. Standish prepares a quarterly economic and investment outlook, which is made available to clients. Upon request, clients can also have on-line access to portfolio information.

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

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

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

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

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

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

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

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

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

We and our affiliates also participate in the BNY Mellon Incentive Compensation Plan, which presents certain conflicts of interest, all as described in Item 10, above.

### **Item 15. Custody**

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

For purposes of the Custody Rule, we are deemed to have "custody" of certain client assets because we may have the ability to deduct fees from client custodial accounts; client funds or securities are held by a related person of Standish; or we may serve as general partner/ managing member/trustee (or similar capacity) of investment funds organized as limited partnership/limited liability company/trust.

Generally, an adviser that is deemed to have custody of a client's funds or securities, among other things, is required to arrange for an annual independent verification of such funds or securities in accordance with the Custody Rule (the "Surprise Exam Requirement"). However, the Custody Rule contains the following exceptions from the Surprise Exam Requirement:

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

3. Pooled Investment Vehicles: advisers deemed to have custody of the assets of clients formed as pooled investment vehicles will not be subject to the Surprise Exam Requirement, provided the pool has audited financial statements that are prepared in accordance with generally accepted accounting principles and such statements are distributed to investors in the pool within 120 days (or 180 days for funds of funds) at the end of the fiscal year. Standish does not have custody of the assets of clients formed as pooled investment vehicles.

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

#### **Item 16. Investment Discretion**

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

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

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

Standish is a member of the BNY Mellon's Proxy Policy Committee (the "Proxy Committee") and has adopted a Proxy Voting Policy, related procedures, and voting guidelines. These policies apply to those clients who have given us, through the investment advisory agreement, authority to vote proxies. In voting proxies, we will seek to act solely in the best interest of the client.

We will carefully review proposals that would limit shareholder control or could affect the value of a client's investment. We generally will oppose proposals designed to protect a company's management unnecessarily from the wishes of a majority of shareholders. However, we will generally support proposals designed to provide management with short-term protection from outside influences so as to allow management to achieve long-term goals. We will try to ensure that company's management reasonably responds to social issues, in particular where it is not likely to affect economic performance.

Conflicts of interest may arise between our interests and our clients' interests when voting client securities. A conflict of interest may exist, for example, if BNY Mellon or any of its affiliates has a business relationship with either the company soliciting the proxy or a third party that has a material interest in the outcome of a proxy vote. We seek to avoid material conflicts of interest

through our participation in the Proxy Committee, which applies detailed, pre-determined proxy voting guidelines (the “Voting Guidelines”) in an objective and consistent manner across client accounts, based on internal and external research and recommendations provided by a third party vendor, and without consideration of any client relationship factors. Further, we and our affiliates engage a third party as an independent fiduciary to vote all proxies for BNY Mellon securities and affiliated mutual fund securities. We do not permit clients to direct us on how to vote in a particular solicitation.

All proxy voting proposals are reviewed, categorized, analyzed and voted in accordance with the Voting Guidelines. These guidelines are reviewed periodically and updated as necessary to reflect new issues and any changes in our policies on specific issues. Items that can be categorized under the Voting Guidelines will be voted in accordance with any applicable guidelines. On the other hand, proposals that cannot be categorized under the Voting Guidelines will be referred to the Proxy Committee for discussion and vote. Additionally, the Proxy Committee may review any proposal where it has identified a particular company, industry or issue for special scrutiny. With regard to voting proxies of foreign companies, we may weigh the cost of voting, and potential inability to sell the securities (which may occur during the voting process) against the benefit of voting the proxies to determine whether or not to vote.

We will furnish a copy of our Proxy Voting Policy, any related procedures, and our Voting Guidelines to each client upon request. Upon request, we will also disclose to a client the proxy voting history for its account after the shareholder meeting has concluded.

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

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