



Item 1 – Cover Page

Aegon USA Investment Management, LLC

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March 28, 2014

This Brochure provides information about the qualifications and business practices of Aegon USA Investment Management, LLC (“AUIM”). If you have any questions about the contents of this Brochure, please contact us at (877) 234-6862 or at aegoninvestments@aegonusa.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.

AUIM is a registered investment adviser. Registration does not imply any level of skill or training. Additional information about Aegon USA Investment Management, LLC is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

The discussion below summarizes the cumulative material changes made to this Brochure since the last annual update as of March 28, 2013.

Summary of Material Changes to AUIM's Brochure

Item 5: This item was updated to present fee schedules for only marketed composites. Structured Finance, Chinese Equities, and Chinese Fixed Income strategies were added to the fee schedule.

Item 8: This item was reformatted and several changes were made to describe and streamline the sections on investment strategies, methods of analysis, and risk of loss. There were no material investment process changes.

Item 10: This item was reformatted and revised. Specific changes were made to the section *Relationships with Related Persons* to expand the descriptions regarding the various relationships and interactions between AUIM and its affiliates.

Item 11: This item was reformatted and revisions were made to the *Standards of Conduct* and *Principal Trading and Cross Transactions* sections to restate the firm's current practices.

Item 12: This item was reformatted and the following sections were expanded and restated to reflect the firm's practices: *Selecting Broker/Dealers*; *Soft Dollar Benefits*; *Directed Brokerage*; *Trade Aggregation and Allocation*; and *Trade Errors*.

Item 15: This item was updated to clarify certain custody arrangements with affiliates.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

If you would like a current copy of AUIM's Brochure, please contact us at (877) 234-6862 or aegoninvestments@aegonusa.com. Our Brochure is also available free of charge on our web site www.aegoninvestments.com and via the SEC's web site www.adviserinfo.sec.gov.

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Item 4 – Advisory Business

Aegon USA Investment Management, LLC (“AUIM”) primarily manages investments in fixed income securities, equities, exchange traded funds (“ETFs”), exchange traded notes (“ETNs”), and derivatives. AUIM provides institutional investment advisory services to affiliated and non-affiliated clients. We also provide asset liability management, asset allocation modeling and strategy services, as well as sponsor and advise private funds.

AUIM may also provide administrative services including certain back office and financial reporting related services in connection with assets owned or managed by certain companies or clients. Before agreeing to manage a client's assets, AUIM typically requires a minimum asset level, which may differ depending upon the particular investment strategy and/or investment product. AUIM will tailor its advice to serve the needs of each particular client. Additionally, pursuant to client agreements, clients may impose restrictions on investments in certain securities or types of securities.

AUIM typically exercises investment discretion but may also provide non-discretionary services. As of December 31, 2013, AUIM managed \$113,028,089,470 in discretionary assets under management (“AUM”) and \$19,158,345 in non-discretionary AUM for a total AUM of \$113,047,247,815. AUIM is dedicated to growing its assets under management by continuing to focus on the expansion of its client base. We believe we are well positioned to grow our business given our experienced team of investment professionals and our commitment to results and client service.

AUIM believes that the key success factors to outperforming over the long-term are: (1) recognition of the asymmetrical nature of risk in the fixed income market; (2) the importance of strong risk management; (3) a long term perspective and consistent focus on delivering competitive risk-adjusted returns over full economic cycles; and (4) balancing top-down macroeconomic analysis with proprietary bottom-up research. See Item 8 for information about our investment strategies and methods of analysis.

AUIM employs approximately 400 professionals with offices in Cedar Rapids, Iowa, Baltimore, Maryland, and Chicago, Illinois. AUIM is a limited liability company formed in 2001 under the laws of the State of Iowa and is an indirect, wholly owned subsidiary of Aegon N.V. (“Aegon”), a public company. Aegon has a primary listing on Euronext

Amsterdam and has a secondary listing on the New York Stock Exchange. Aegon USA Investment Management, Inc. (“AUIM, Inc.”) was incorporated April 12, 1989, and was also a registered investment adviser. The assets that were being managed by AUIM, Inc. transitioned to being managed by AUIM on December 1, 2001.

Item 5 – Fees and Compensation

AUIM charges advisory fees consistent with applicable statutes and regulations and the client’s investment management agreement. Fees are typically based on the client’s assets under management and may be negotiated. Various factors may affect a client’s fees, including but not limited to the services required by the client, client type, asset class, pre-existing relationship, the size of the account (current or anticipated), and/or other related accounts and investments in other strategies. Clients who negotiate a flat fee schedule may or may not pay a higher total fee than those who pay under a tiered schedule.

Upon opening an account, clients are billed for and pay fees prorated for that portion of the billing period, typically monthly or quarterly, for which AUIM has provided investment services. AUIM’s fees are payable and billed in arrears. Fees are generally based on an account’s quarter-end market values. Upon termination, clients pay fees prorated for the portion of the billing period for which AUIM provided investment services.

AUIM’s fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses that may be incurred by the client. Client assets are maintained by independent custodians. Clients pay all custody fees directly to their custodian. Clients may incur certain other charges imposed by custodians, brokers and other third parties, such as deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and ETFs may also charge internal management fees, which are disclosed in the funds’ prospectuses. AUIM does not receive these fees.

Advisory fees vary based on the type of client and type of account. All fees are subject to negotiation. For non-affiliated clients, the standard annual fees are shown in the table below:

Investment Strategy	Fee Description
Core Aggregate	First \$0 - \$25 million .30% Next \$25 - \$50 million .24% Next \$50 - \$100 million .22% Next \$100 - \$250 million .18% Remaining Assets > \$250 million .16%
Long Government Credit	First \$0 - \$100 million .25% Next \$100 - \$250 million .17% Remaining Assets > \$250 million .16%
Core Plus Fixed Income	First \$0 - \$25 million .32% Next \$25 - \$50 million .28% Next \$50 - \$100 million .26% Next \$100 - \$250 million .20% Remaining Assets > \$250 million .19%
Investment Grade Fixed Income	First \$0 - \$25 million .30% Next \$25 - \$50 million .26% Next \$50 - \$100 million .24% Next \$100 - \$250 million .20% Remaining Assets > \$250 million .18%
Stable Value	First \$0 - \$25 million .26% Next \$25-\$50 million .20% Next \$50 - \$100 million .17% Next \$100 - \$250 million .14% Remaining Assets > \$250 million .12%
Short Duration	First \$0 - \$25 million .25% Next \$25 - \$50 million .20% Next \$50 - \$100 million .17% Remaining Assets > \$100 million .14%
Emerging Markets Fixed Income (Emerging Markets Global Diversified)	First \$0 - \$50 million .50% Next \$50 - \$100 million .48% Next \$100 - \$250 million .42% Remaining Assets > \$250 million .38%

Investment Strategy	Fee Description
Emerging Markets Local Currency Debt	First \$0 - \$25 million .60% Next \$25 - \$50 million .56% Next \$50 - \$100 million .52% Next \$100 - \$250 million .47% Remaining Assets > \$250 million .43%
Leveraged Loans	First \$0 - \$50 million .50% Next \$50 - \$100 million .45% Next \$100 - \$250 million .42% Remaining Assets > \$250 million .40%
High Yield Fixed Income High Yield Global Fixed Income	First \$0 - \$50 million .50% Next \$50 - \$250 million .40% Remaining Assets > \$250 million .37%
Credit Opportunities	All Amounts: 1.50% plus 15% carry over the negotiated preferred return (see Item 6: Performance Based Fees and Side-By-Side Management for further discussion).
Structured Finance	First \$0 - \$25 million .28% Next \$25 - \$50 million .28% Next \$50 - \$100 million .26% Next \$100 - \$250 million .23% Remaining Assets > \$250 million .21%
Chinese Equities	All assets under management 1.00%
Chinese Fixed Income	All assets under management .70%
Commercial Mortgage Backed Securities	First \$0 - \$25 million .38% Next \$25 - \$50 million .37% Next \$50 - \$100 million .33% Next \$100 - \$250 million .30% Remaining Assets > \$250 million .29%

Fees charged to affiliates may be lower than the published fee schedules and less than the fees charged to non-affiliated client accounts. Fees for certain sub-advisory relationships may also differ from the above fee schedule. When the firm manages a pooled fund in a strategy referenced above, different advisory fees may be paid by clients that invest in such pools. Fees associated with mutual funds and variable annuity products that are sub-advised by AUIM are disclosed in their respective fund prospectus.

In addition to fees calculated based on assets under management, AUIM may also charge (1) an annual fee of approximately \$5,000 for certain accounts to cover administrative overhead costs as well as (2) performance fees as described in Item 6.

Depending on the agreement with a client, AUIM may also charge a fee of approximately \$1,050 per quarter for each derivatives contract in the client's account as of the last day of each calendar quarter. In addition, fees may be charged for research, analysis and measurement relating to equity derivatives.

Item 12 describes the factors that AUIM considers in selecting or recommending broker/dealers for client transactions and determining the reasonableness of their compensation.

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

In addition to the fees described in Item 5, AUIM may also negotiate a fee arrangement with certain qualified clients (as defined by the Act) that includes a performance-based fee. Performance-based fees are typically calculated based on a share of a client's capital gains or capital appreciation. In such cases, AUIM will structure a performance or incentive fee arrangement subject to Section 205(a)(1) of the Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. Charging performance-based fees may create an incentive for AUIM to recommend investments that may be riskier or more speculative than those that would be recommended under a non-performance-based fee arrangement. AUIM manages accounts that include performance-based fees along side of asset based fee accounts. Such fee arrangements may create an incentive to more favorably allocate investment opportunities to performance-based fee paying accounts. AUIM mitigates these conflicts through its policies and procedures that are designed to ensure that all clients are treated equitably over time and through employee education. See Item 12.D. for additional information about AUIM's trade aggregation and allocation practices.

Item 7 – Types of Clients

AUIM provides investment management services to insurance companies, corporate pension and profit-sharing plans, benefit plans, registered investment companies, pooled investment vehicles (such as collective investment trusts), banks, charitable

organizations, government plans and municipalities, foreign funds such as Undertakings for Collective Investments in Transferable Securities (“UCITS”), other U.S. and international institutions, and other investment advisers. AUIM typically requires a minimum balance of \$10 million for opening new client accounts. In certain circumstances the minimum amount may be waived.

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

A. Investment Strategies

AUIM offers standard investment strategies as well as customized portfolios. Methods of analysis and investment risks are presented for the firm’s standard, marketed investment strategies. Investment details for non-marketed strategies and customized portfolios are available upon request at (877) 234-6862 or at aegoninvestments@aegonusa.com.

AUIM develops and designs investment strategies to meet its clients’ needs. Examples of prominent investment strategies include: (1) total return strategies, both for a single asset class and for multiple asset classes across the fixed income spectrum; (2) asset liability management, which encompasses duration-sensitive management strategies as well as cash flow management; (3) constrained strategies based on client restrictions, which includes such parameters as rating limitations, position limits, etc.; and (4) asset allocation strategies, which are either developed by AUIM or based on client parameters and/or requirements.

B. Methods of Analysis

1. Fixed Income Strategies: AUIM employs a disciplined team-oriented fixed income investment process. AUIM focuses on the macroeconomic environment, fundamentals, technical analysis, and valuation at each stage of the investment decision process. The process is broken down into five main categories:
 - a. Consideration of the macroeconomic environment: A view of the macroeconomic environment and changes in such environment are formulated through a series of internal meetings involving portfolio managers and research analysts. Output from these meetings includes macroeconomic

and market outlooks for the economy, interest rates, and the relative value of fixed income asset classes. These views guide decisions on portfolio duration and yield curve positioning, as well as sector allocations.

- b. Sector and security level idea generation: AUIM's investment process begins with fundamental independent bottom-up research of issuers, securities and sectors. AUIM utilizes a proprietary financial model where analysts evaluate financial statements with particular focus on cash flow generation, debt levels, maturity schedules, liquidity, and projections of future credit profiles. For structured securities, AUIM utilizes proprietary and third party modeling software to determine which securities offer attractive relative value versus the benchmarks.
- c. Fundamental research review process and decision making: AUIM focuses on proprietary fundamental research and active communication between a global research team and portfolio managers. The research analysts are responsible for covering the companies within a set of specific industries across the entire credit quality spectrum. This provides important industry context of all major players and gives AUIM an advantage in areas where credits are in transition. AUIM's core focus is on fundamental credit analysis including forming its own opinions on credit quality and assigning appropriate internal credit ratings. These fundamental views are the driver of our work related to relative value ideas and are the starting point for the bottom-up portion of our portfolio construction and credit strategy work.
- d. Management and monitoring: AUIM's underwriting bias tends toward sectors with solid cash flow and dynamic or strong asset coverage metrics. During business cycle periods, we may decide to materially underweight or avoid certain sectors based on our fundamental outlook. The investment team is continuously looking for opportunities where credits are undervalued and misunderstood by the market. AUIM's sell discipline tends to fall into two broad categories:
 - *Credit related.* Credits are constantly monitored by the research group for new information. If a credit is experiencing significant price volatility,

AUIM will re-evaluate that credit to ensure our investment thesis is still sound.

- *Relative value trade.* Relative value trades may result from movement in security values, general market conditions, or shifts in the overall portfolio strategy.
- e. Risk overlay: AUIM has ingrained a strong risk management process into its investment framework. At the heart of this risk management culture is our rigorous credit review process. The firm's systems provide AUIM with a variety of risk and compliance metrics to manage the accounts to meet client objectives. Risk management typically occurs through three main avenues: traditional and distressed credit research efforts; measurement of risk/return metrics; and monitoring of risk limits.
2. Asset Allocation Strategies: AUIM may incorporate model-supported investment processes in managing certain asset allocation strategies. AUIM focuses on economic indicators, market indicators, and technical analysis at each stage of the investment process. Portfolios are designed to have exposure to multiple asset classes and/or geographic regions using ETFs and ETNs that track the various asset classes and geographic regions. Models may be used to assist with certain volatility controls which attempt to manage risks associated with economic downturns.
3. Derivatives Strategies: AUIM designs and executes derivative strategies for purposes of hedging, risk management, and overall portfolio management. These derivative strategies are typically performed for affiliated insurance entities. In addition, non-affiliated clients may use derivatives to hedge or obtain certain types of investment exposures. Derivative transactions may include instruments that are cleared through regulated exchanges or executed "over-the-counter" between the client and a derivatives dealer. AUIM's policy is that all derivative transactions made on behalf of affiliated or unaffiliated clients must be traded under an approved derivatives program which describes the guidelines for execution and management of the derivative transactions.

C. Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. *AUIM cannot give any guarantee that it will achieve client investment objectives or that a client will receive a return on its investment.* All investments include the potential loss of the principal amount invested and unrealized profits. AUIM employs risk-based investment approaches focused on risk/return principles. The firm does not guarantee any performance results or ensure that clients will not incur a financial loss. Clients should be prepared to bear such losses. Past performance is not an indication or guarantee of future performance. Clients should be aware of the primary investment risks, including:

Interest Rate Risk: The risk that fixed income securities and other instruments in a portfolio will decline in value because of an increase in interest rates. Fixed income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations.

Credit Risk: An investor could lose money if the issuer or guarantor of a fixed income security or the counterparty to a derivatives contract, repurchase agreement, or a loan of portfolio securities, is unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. A downgrade of the credit of a security may also decrease its value.

High Yield Risk: Investments in high yield securities and unrated securities of similar credit quality (commonly known as “junk bonds”) may be subject to greater levels of credit and liquidity risk than investment grade securities. High Yield securities are considered predominately speculative with respect to the issuer’s continuing ability to make principal and interest payments.

Market Risk: The market price of securities may go up or down, sometimes rapidly or unpredictably. The value of a security may decline due to general market conditions that are not specifically related to a particular company or industry, such as adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates, or adverse investor sentiment.

Issuer Risk: The value of a security may decline for a number of reasons that directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods or services, as well as the historical and prospective earnings of the issuer and the value of its assets.

Liquidity Risk: Liquidity risk exists when particular investments are difficult to purchase or sell. Illiquid securities are securities that cannot be disposed of within a reasonable time in the ordinary course of business at approximately the value at which a manager has valued the securities. Investments in illiquid securities may adversely impact returns if a manager is unable to sell the illiquid securities at an advantageous time or price.

Derivatives Risk: Derivatives are financial contracts whose value depends on, or is derived from, the value of an underlying asset, reference rate, or index. The use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Certain derivative instruments can lose more than the principal amount invested.

Foreign (Non-U.S.) Investment Risk: Investments in foreign (non-U.S. or non-home currencies for non-U.S. investors) securities may experience more rapid and extreme changes in value than investments in securities of U.S. companies. The securities markets of many foreign countries are relatively small and have less depth, with a limited number of companies representing a small number of industries. Issuers of foreign securities are often not subject to the same degree of regulation as are U.S. issuers. In the event of nationalization, expropriation or other confiscation, an investor could lose its entire investment in foreign securities.

In addition to these primary investment risks, many other risk factors may lead or contribute to performance volatility or losses, including but not limited to mortgage-related and other asset-backed, currency, issuer non-diversification, smaller company, management, geopolitical, model, emerging market, and fund of funds risks. Clients may contact AUIM for more information regarding potential investment risks.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events. AUIM has no material legal or disciplinary information to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

A. Registered Representatives

AUIM has certain management persons and other employees who are registered representatives of affiliated broker/dealers. These arrangements are not significant to AUIM's core investment management activities and do not present any material conflicts of interest.

B. Relationships with Related Persons

1. Dual Employees and Shared Resources: AUIM maintains relationships with certain of its advisory affiliates or persons under common control which may, in certain cases, create conflicts of interest, including:
 - AUIM Supervised Persons may serve as dual employees for various affiliates. Some Supervised Persons may also serve as senior managers, officers, or directors for one or more affiliates.
 - AUIM shares facilities and other centralized business functions, such as operations, information technology, human resources, business continuity, legal, finance, compliance, enterprise risk management, and internal audit. Many of these activities are performed through global matrix reporting arrangements.
 - Certain Supervised Persons may be involved in the investment decision making, trading processes, and/or administration for accounts managed on behalf of affiliates.
 - Through its global investment research platform, AUIM and its affiliates share investment research and analytics.

These arrangements are not expected to create material conflicts of interest. AUIM has implemented controls to address the supervision of its Supervised Persons serving in such dual capacities to reasonably ensure compliance with client investment guidelines and applicable regulatory requirements.

2. Insurance Companies and Other Affiliates: AUIM serves as investment adviser to various insurance companies and affiliates that are part of the Aegon family of companies. These affiliates' combined assets represent the largest portion of AUIM's assets under management. AUIM may also perform administrative and back-office functions on behalf of affiliated insurance companies that are not generally performed for non-affiliated clients.
3. Pooled Investment Vehicles: AUIM serves as sub-adviser for several open-end mutual funds that are sponsored by Transamerica Asset Management, Inc. ("TAM"), part of the Aegon family of companies, an affiliate of AUIM, and a registered investment adviser. Transamerica Capital, Inc., an Aegon affiliated broker/dealer, serves as the mutual funds' distributor. AUIM also provides sub-advisory services to a closed-end investment company advised by TAM.

AUIM serves as sub-adviser to a number of open ended collective investment arrangements and pooled funds sponsored or managed by Aegon affiliates. AUIM serves as the sub-advisor to several Canadian funds managed by a Canadian affiliate.

AUIM serves as the managing member and investment adviser to an affiliated limited liability company that invests in a diversified portfolio of private investment partnerships or similar vehicles that pursue a variety of investment strategies. Some of AUIM's affiliated insurance company clients are solicited to invest in this fund.

AUIM serves as the managing member of, and investment adviser to, an affiliated private fund that invests cash collateral received by AUIM's clients related to securities lending activities. Some of AUIM's affiliated insurance company clients are solicited to invest in this fund.

4. Other Investment Advisers: AUIM serves as the (a) sub-adviser for foreign affiliates; b) model manager for a local affiliate; and (c) sub-adviser for Aegon USA Realty Advisors, LLC, an affiliated real estate asset manager.
5. Conflicts of Interest: Affiliate relationships represent AUIM's largest clients. A conflict of interest may arise when AUIM is acting for the accounts of affiliated and non-affiliated clients, including but not limited to, allocating investment opportunities. In each case, AUIM recognizes the responsibility to treat all clients fairly and consistently, and portfolio decisions made for non-affiliated accounts will be consistent, where applicable, with the AUIM strategy being employed for affiliated accounts. Please see Item 16 for a description of AUIM's investment discretion, Item 12.D. for a description of our allocation policy, as well as Item 11.C. for a description of AUIM's policies on principal trading and cross transactions. In addition, please see Item 17 for a description of AUIM's securities voting policies.

C. Foreign Financial Regulatory Authority

AUIM is a Qualified Foreign Institutional Investor ("QFII") registered with the China Securities Regulatory Commission. A QFII designation allows licensed foreign investors to participate in the Chinese A-shares and RMB bond markets.

Item 11 – Code of Ethics

A. Standards of Conduct

AUIM has adopted a Code of Ethics (the "Code") for its officers, directors and employees ("Supervised Persons"), which sets forth AUIM's standards of conduct and requires compliance with federal securities laws. The Code is based on the principle that Supervised Persons owe a fiduciary duty to AUIM's clients, including the duties of honesty, good faith, and fair dealing. AUIM Supervised Persons who are in a position to exploit information about client securities transactions or holdings must conduct their personal activities in a manner that does not violate the federal securities laws, interfere with client accounts, or otherwise take unfair advantage of client relationships.

AUIM Supervised Persons have an ethical and legal obligation to avoid any conflict of interest situations, disclose potential conflicts, and seek clarification when warranted. Supervised Persons may buy or sell the same securities for their personal accounts as the firm purchases or sells on behalf of its clients. To mitigate potential conflicts of interest, the firm's Code imposes pre-clearance requirements on certain securities transactions and requires Access Persons to submit quarterly transaction reports and annual holdings reports.

AUIM engages in a variety of investment activities that may result in its Supervised Persons obtaining possession of material, non-public information. Possible sources of inside information include: trading activities performed by AUIM or its affiliates; meetings with company management; meetings with investment analysts; participation in issuer bankruptcy proceedings; access to information related to broker/dealers' advisory services or investment banking activity; and relationships with company insiders. The firm collects, retains, and monitors employee personal securities transactions.

The Code also prohibits Supervised Persons from accepting or offering excessive gifts and entertainment. These Code provisions are intended to avoid or mitigate material conflicts of interest that may arise between employees' personal conduct and their fiduciary duties.

Clients may obtain a copy of AUIM's Code of Ethics by contacting us at (877) 234-6862, by providing an email request to aegoninvestments@aegonusa.com, or by sending a written request to:

Aegon USA Investment Management, LLC
4333 Edgewood Road NE
Cedar Rapids, IA 52499
Attention: Chief Compliance Officer

B. Material Financial Interests

Portfolio manager and research analyst compensation consists of a fixed base salary with a performance based incentive opportunity. These employees' incentive programs may include both cash and deferred components. Certain senior portfolio managers

have a significant component of their overall compensation package deferred. Portfolio managers may participate in AUIM's long-term compensation plan, which is a restricted stock program with payout based on a combination of firm performance and investment performance. Payment of the long term incentive program is made after a three-year vesting period. Incentive compensation participation percentages may vary by the employee level. These compensation arrangements may create conflicts of interest associated with the metrics for portfolio investment performance. AUIM mitigates this conflict through its policies and procedures, training, monitoring, and oversight.

C. Principal Trading and Cross Transactions

AUIM typically executes trades in client accounts through the open market. When deemed in the clients' best interests, permissible by regulation and client agreement, and when it is consistent with the firm's best execution obligations, AUIM may engage in transactions where it acts as principal for an affiliate's account through which it buys securities from or sells securities to an unrelated client's account. AUIM will disclose its principal capacity in writing and obtain the client's consent to each principal transaction before the settlement of such transaction. When a mutual fund is involved, the transactions will be executed in accordance with the requirements, including pricing methodology, of Rule 17a-7 under the Investment Company Act of 1940. When a private fund or other pooled account is involved, the firm will follow client guidelines and internal policies designed to reasonably ensure that the transactions are appropriate and fair to all accounts involved.

AUIM does not generally engage in transactions where it, or any person controlled by or under common control with it, acts as a broker between advisory client accounts. If AUIM engages in these agency cross trades, it will obtain the client's prior written consent in compliance with Rule 206(3)-2.

AUIM engages in internal cross trades involving affiliated client accounts. These cross transactions are typically conducted at an affiliated client's request. AUIM does not receive compensation for such cross transactions. These transactions are typically priced based on one of the following two standards established by the client:

- (1) Assets transferred between accounts for the same affiliated client are considered book value transfers. These transfers can occur at any time using the book values as of the end of the prior month.

(2) Assets transferred between affiliated clients during the first ten business days of the month take place at the most recent month-end prices. Transfers that occur at any other time during a month are re-priced, subject to AUIM's pricing policies and procedures, and transferred within two business days.

AUIM does not intend to engage in cross trades involving ERISA accounts. It may acquire securities to resolve trade errors. While these may technically constitute principal transactions, the purpose of these trades shall be to appropriately resolve any trade errors involving client securities.

D. General Investment Advice

AUIM serves as investment manager for many clients. AUIM and its Supervised Persons may give advice or take action in performing duties for certain clients, or for their own accounts, that differ from advice given to or action taken for another client. AUIM is not obligated to buy, sell or recommend for another client any security or other investment that AUIM or its Affiliated Persons may buy sell or recommend for any other client or for their own accounts.

Item 12 – Brokerage Practices

A. Selecting Broker/Dealers

AUIM has discretionary authority to select broker/dealers used to place client trades unless otherwise specified by the client. AUIM seeks to execute securities transactions for its clients such that the client's total cost or proceeds in each transaction is the most favorable under the circumstances. The best net price, giving consideration to brokerage commissions, spreads and other costs, is an important factor in this decision, but a number of other factors are also considered including, but not limited to: (1) AUIM's knowledge of negotiated commission rates and spreads; (2) the nature of the security to be traded; (3) the size and type of transaction; (4) the nature and character of the markets; (5) the desired timing of the trade; (6) the need for confidentiality and anonymity; (7) the broker/dealer's settlement capabilities, reputation, and financial strength; and (8) the broker/dealer's execution services rendered on a continuing basis and in other transactions. Some broker/dealers may provide AUIM with brokerage and research services, which may also be considered when selecting a broker/dealer for a

particular trade. These arrangements are not intended to interfere with AUIM's best execution responsibilities. AUIM does not trade with affiliated broker/dealers.

Fixed income portfolio managers generally negotiate and execute trades with fixed income dealers. For certain securities and transactions they may also utilize electronic trading platforms such as Bloomberg EMSX, MarketAxess, and TradeWeb. Evaluation of best execution in the secondary market is generally based on comparison of bond structures, amount of bonds available, yield, and overall impact on portfolio performance, etc. Fixed income strategies often rely on broker/dealers that may offer expertise in specific securities or sectors of the market. Fixed income portfolio managers often base their broker/dealer selection on the broker/dealer's inventory and level of service received.

B. Soft Dollar Benefits

AUIM trades with certain full service broker/dealers who provide "unsolicited" brokerage and research services ("research") to their clients. The receipt of this research is secondary to AUIM's responsibility to seek best execution. The research is used by AUIM to supplement its own research and assists with its investment decision-making responsibilities. Research obtained through these arrangements generally includes: written reports on the economy, industries, sectors and individual companies or issuers; appraisals and analysis relating to markets and economic factors; statistical information; political analyses; reports on legal developments affecting specific issuers; information on technical market actions; credit analyses; and analyses of corporate responsibility issues.

It is not AUIM's intent to engage in soft dollar arrangements. However, the receipt of brokers' research may be technically deemed soft dollar arrangements. Most of AUIM's trading is in fixed income securities on a principal basis. These transactions do not fall within the Section 28(e) of the Securities Exchange Act of 1934 safe harbor.

Nonetheless, it is AUIM's intent that all research received will provide lawful and appropriate assistance in its investment decision-making processes. The firm's receipt of research may present a conflict of interest because (1) it may receive a benefit that it does not have to pay from its resources, and (2) it may be incented to select

broker/dealers based on the receipt of research rather than receiving the most favorable execution.

Research obtained from broker/dealers generally does not relate to specific client trades. The research received under these arrangements may be used in the management of all AUIM clients, including clients whose accounts may not have traded with broker/dealers who provide research. AUIM is not able to attribute any specific client costs or benefits associated with these arrangements. AUIM believes that, in the aggregate, the research it receives supplements its research and to the extent used assists with its investment decision-making responsibilities. AUIM may share certain brokerage and research services with affiliates. Because AUIM does not use client commissions to pay for such research and is not able to attribute any specific costs associated with the receipt of such research, we do believe this arrangement constitutes mixed-use services. The firm will periodically evaluate these arrangements, including their perceived costs and benefits, in light of its best execution responsibilities. It will continue to use broker/dealers who provide research to the extent it determines that these broker/dealers assist with its responsibility to seek best execution.

C. Directed Brokerage

While AUIM generally selects broker/dealers to place client trades, clients may select broker/dealers at their own discretion. If a client directs AUIM to place securities transactions through a broker/dealer, the client should consider the following factors: (1) the client may compromise AUIM's ability to seek best execution; (2) AUIM may not negotiate commissions on the client's behalf which may result in higher commissions, greater spreads, or less favorable net prices than would be the case if the firm alone selected the broker/dealers; (3) the client's trades may not be aggregated (blocked) with similar trades for other client accounts; (4) as a result of not being blocked, directed transactions will be traded on a rotational basis, potentially resulting in less favorable executions; and (5) the client account may not generate returns equal to those of the firm's clients who do not direct brokerage. As a result, such clients may pay higher commissions and/or receive less favorable net prices than might be attained if the firm were able to maintain broker/dealer discretion.

D. Trade Aggregation and Allocation

AUIM manages accounts in various investment strategies many of which may trade in the same securities. AUIM may combine different client transactions into an aggregated (blocked) order. This practice may enable the firm to seek more favorable executions and net prices. Accounts participating in a blocked transaction will be allocated based on a variety of factors including target durations, portfolio characteristics, sector weightings, cash flows, and/or the client's investment policy. Due to limited supply of certain securities and differing portfolio characteristics among accounts, portfolio managers may use any other method as long as it is fair and reasonable and no client is unduly favored over another and all clients are treated fairly over time. Some fixed income accounts may have certain restrictions or requirements that prevent them from participating in an aggregated trade. These accounts may be traded in a different order or at a different time than accounts participating in the blocked trade. Trading and execution costs may be different (higher or lower) from those accounts participating in the aggregated transaction.

AUIM allocates investment opportunities among clients in a manner that reasonably ensures that client's are treated equitably over time. It is the firm's policy to allocate investment opportunities, to the extent practical, to similarly situated client accounts over time, in a manner that AUIM believes is fair and equitable to each client's account. Factors that may influence a decision to allocate investment opportunities among client accounts include, but are not limited to:

- Account investment objectives, guidelines, and constraints;
- Current account holdings, including asset class, sector, industry, and issuer concentrations, both on an absolute basis and relative to the account's benchmark;
- Desired risk profiles of the account, including credit quality, maturity, or duration distributions and the impact the proposed investment would have on these measures;
- Cash availability and future cash flow expectations; and
- Allocation considerations based on criteria such as round lot provisions or minimum transaction size.

E. Trade Errors

AUIM undertakes investment decisions for client accounts with the utmost care. To the extent that a trade error occurs, AUIM maintains controls designed to timely identify and resolve them in a manner that the client is not harmed or unduly enriched by such errors.

When AUIM identifies an error prior to the transaction's settlement date, it may book the correct transaction into the client's account and reverse and book the incorrect trades into a proprietary error account. An open market transaction to offset any incorrect trade may be performed in the proprietary error account. The correcting transaction will be done in a manner that AUIM bears the market risk (and will absorb any losses or retain any gains), while the client is not financially harmed by the trade error.

When the firm identifies an error after the transaction settles, it will execute an open market transaction in the client's account to correct the error. Any gains resulting from these transactions will be left in the client's account and any losses, including transaction costs to correct the trade, will be promptly reimbursed to the client's account. To the extent such is permitted by applicable law, correcting transactions that yield both gains and losses may be netted and AUIM will reimburse any net loss. For complex errors, the firm will examine, on a case-by-case basis, corrective measures and will implement a resolution that attempts to provide a fair outcome and avoids the client incurring any financial harm or unjust gains.

In situations where AUIM has been hired by an affiliate it may look to the affiliate for direction on how it should resolve trade errors.

Item 13 – Review of Accounts

AUIM periodically reviews client accounts. The frequency of review varies, depending on the level of activity, change, and volatility inherent with each account. As a result, such reviews will range from a daily to a monthly basis. Account fundamentals are reviewed on a regular basis.

Reviews are typically performed by portfolio management or client service personnel and generally include monitoring performance, trading, and compliance with client investment guidelines and policies.

For affiliated insurance company clients, reports are provided monthly, quarterly and annually. For affiliated corporate divisions, reports on account composition, purchase and sale activity and yields are provided monthly while investment income trends, gains and losses, and variance analyses are provided quarterly.

For unaffiliated clients, reports are typically provided on a monthly or quarterly basis and a portfolio manager will usually meet with a client's board or decision-making body every twelve to eighteen months. The contents of any such reports may include: market commentary, account summaries (including monthly and year-to-date account changes), performance information, account statistics, quality distribution, and any applicable credit rating changes, a description of the account's holdings and any purchases or sales. Any such reports and meetings may vary, depending on the client's particular needs or requirements.

Item 14 – Client Referrals and Other Compensation

A. Client Referrals

AUIM may enter into compensation arrangements with certain related and other persons who act as solicitors. Such arrangements will at all times be maintained in compliance with Rule 206(4)-3 of the Act. AUIM may compensate solicitors based on (1) a percentage of the management fee it earns from the account a solicitor has introduced, (2) a one-time fee, or (3) a combination these. Similarly, AUIM may pay referral compensation to its affiliates, joint venture partners, related persons, and/or their employees. These referral payments do not increase the fees charged by AUIM to any client.

The payment of solicitation compensation may cause a solicitor to recommend AUIM over another adviser that does not pay solicitation compensation. In any case in which a solicitor receives payment from AUIM, such solicitor will have a conflict in advising clients with respect to hiring AUIM as an investment adviser. Further, solicitors may

receive different amounts of compensation with respect to different AUIM products and therefore may have incentives to favor one or more products over others.

AUIM and its affiliates also receive client referrals from unaffiliated consultants that are retained by investors. AUIM and its affiliates may make payments to these consultants to participate in conferences sponsored by those consultants in order to, among other things, obtain information about industry trends and investor investment needs. In addition, AUIM and its affiliates may purchase products or services from these consultants or their affiliates. Those payments for conferences, products, or services are not paid in connection with consultant referrals.

B. Other Compensation

Other than compensation received directly from AUIM, employees may not to accept any form of compensation for providing advisory services. AUIM maintains written policies and procedures with respect to the giving and receipt of gifts and entertainment and the giving of donations and contributions, which are reasonably designed to comply with applicable law, including pay-to-play restrictions. Those policies and procedures prohibit giving or receiving gifts, entertainment, donations, and contributions that AUIM determines are lavish or excessive under the circumstances.

Item 15 – Custody

AUIM's clients are responsible for selecting their custodians. AUIM does not act as a custodian for client accounts and does not take physical custody of client assets. AUIM performs various back office functions for affiliated clients some of which may constitute custody under Rule 206(4)-2 of the Act. With respect to these arrangements, AUIM has implemented the following custody controls: (a) quarterly custody account statements; (b) internal policies and procedures and other controls designed to prevent and mitigate it or its employees from having unauthorized access to client assets; and (c) surprise examinations.

Clients should receive at least quarterly statements from their qualified custodian. The custodian's statements represent the client's official account records. To ensure that all account transactions are proper, AUIM urges clients to compare statements received from AUIM with the statements received directly from their custodian. AUIM statements

may vary from custodial statements based on accounting practices, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

AUIM typically accepts discretionary authority to manage securities accounts on behalf of its clients. AUIM typically enters into an investment management agreement with its clients or a sub-advisory agreement with relevant third parties. In situations where AUIM has discretionary authority pursuant to the client agreement, an investment policy statement or investment guidelines may be agreed to by the client that could limit AUIM's discretionary authority. When exercising discretionary authority, AUIM determines, without obtaining specific client consent, the types and quantities of securities to buy and sell. AUIM also has discretion to select broker/dealers and other counterparties to execute client transactions. Accounts are defined as discretionary as long as AUIM is able to implement its investment strategy. All discretionary accounts are included in composites used to present performance results. AUIM may also enter into arrangements where it does not exercise investment discretion, such as when a client imposes conditional trading authority and/or material investment strategy restrictions.

Item 17 – Voting Client Securities

AUIM votes on behalf of all client accounts for which it has requisite discretionary authority except for situations in which any client notifies AUIM in writing that it has retained, and intends to exercise, the authority to vote their own securities. The firm will take reasonable efforts to vote securities on behalf of clients where it is afforded the ability to do so. There may be instances, for example, where, at the time the vote is due, client securities have been loaned or other issues exist that prevent AUIM from voting. Clients may also ask AUIM to vote their securities in accordance with specific guidelines furnished by the client, in which case AUIM will vote such securities within such guidelines.

AUIM primarily manages client portfolios of debt securities and does not function to a significant extent as a manager of equity securities other than ETFs. For most clients, the issues with respect to which AUIM votes client securities generally involve

amendments to loan documentation, borrower compliance with financial covenants, registration rights, prepayments, and insolvency and other distressed credit situations, rather than issues more commonly voted upon by holders or managers of equity securities. Occasionally, AUIM's fixed income invested clients receive equity securities resulting from the restructure of debt security investments or other special situations. AUIM manages several mutual funds, the investment strategies of which involve ETFs. These ETFs are equity securities and have traditional proxies associated with them.

AUIM seeks to vote securities in the clients' best interests. Votes will be determined on a case-by-case basis, after taking into consideration all factors relevant to the issues presented.

Because the issues on which AUIM votes client debt securities are unique to each particular borrower and relevant fact situation, and do not lend themselves to broad characterization as do many issues associated with the voting of equity security proxies, AUIM does not maintain voting policy guidelines regarding categories of issues that may come before debt security holders. AUIM has adopted guidelines for use in situations where it votes client equity and ETF securities. These guidelines provide a roadmap for arriving at voting decisions and are not meant to be exhaustive of all issues that may be raised in any or all proxy ballots or other voting opportunities. AUIM may take these guidelines into account when voting client debt securities.

Because of the expertise of its staff with the issues upon which it votes client debt securities, AUIM generally does not maintain the services of a qualified independent third party (an "Independent Third Party") to provide guidance on such matters. Nevertheless, in appropriate situations, AUIM may retain the services of an Independent Third Party (either directly or via similar engagements made by affiliates) to assist with its voting responsibilities. AUIM may consider the research provided by an Independent Third Party but AUIM retains final voting responsibility.

AUIM recognizes the potential for material conflicts that may arise between its own interests and those of its clients. To address these concerns, AUIM takes one of the following steps to avoid any impropriety or the appearance of impropriety in any situation involving a conflict of interest:

- Vote in accordance with the Independent Third Party's recommendation;
- Obtain guidance from the client(s) whose account(s) are involved in the conflict;

- Obtain the General Counsel's review; or
- Vote in strict accordance with its guidelines.

Clients may obtain a copy of AUIM's complete proxy voting policies and procedures upon request. Clients may also obtain information from AUIM about how it voted any securities on behalf of their account(s) by contacting us at (877) 234-6862 or at aegoninvestments@aegonusa.com.

Item 18 – Financial Information

A registered investment adviser is required to provide clients with certain financial information or disclosures about its financial condition. AUIM does not require or solicit prepayment of its investment advisory fees, it does not have financial commitments that impair its ability to meet contractual and fiduciary commitments, and it has not been the subject of a bankruptcy proceeding.