

## **Barclays Asset Management Group LLC**

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**March 28, 2013**

This Brochure provides information about the qualifications and business practices of Barclays Asset Management Group LLC (the Adviser). If you have any questions about the contents of this Brochure, please contact us at (310) 907-0510 or at [michael.montgomery@barclays.com](mailto:michael.montgomery@barclays.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Barclays Asset Management Group LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about Barclays Asset Management Group LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Material Changes**

Barclays Asset Management Group LLC (“BAMG”, “we” or “us”) is required to identify and discuss any material changes made to its Brochure since the last annual update. The last annual update to our brochure was March 30, 2012. The last other than annual update to our brochure was July 6, 2012.

There have been no material changes for BAMG since the update to our brochure on July 6, 2012. BAMG may further provide other ongoing disclosure information about material changes as necessary. Additionally we will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Michael Montgomery, Chief Compliance Officer at (310) 907-0459 or [michael.montgomery@barclays.com](mailto:michael.montgomery@barclays.com).

Additional information about BAMG is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with BAMG who are registered, or are required to be registered, as investment adviser representatives of BAMG.

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#### **Item 4 – Advisory Business**

Barclays Asset Management Group is a wholly-owned, direct subsidiary of Barclays Bank PLC (“Barclays”) and until May 23, 2011 operated as the Special Situations Group within the Los Angeles Agency of Barclays Bank PLC. Barclays set up the Special Situations Group (“SSG”) in 2006 when it had the opportunity to attract a renown group of professionals who had worked together before in asset management and had developed a highly regarded acumen in distressed debt investing. The SSG began investment activities for Barclays in 2007. In 2008 SSG gained various regulatory approvals and began to advise third party investors in 2009.

BAMG is an opportunistic investor with a focus on distressed debt situations. Although BAMG focuses on distressed debt situations, individual clients may place limitations on certain securities or certain types of securities in which they will invest.

The staff of BAMG integrates top flight professionals in all of the disciplines that are critical to successful analysis of distressed debt, including accounting, law, bankruptcy, capital markets and fundamental security analysis. They combine extensive experience in distressed bank debt, defaulted securities and bankruptcy situations with proven expertise in valuing companies and assets, negotiation and restructuring.

As of December 31, 2012 BAMG managed \$0.5 billion on a discretionary basis and \$2.4 billion on a non discretionary basis.

#### **Item 5 – Fees and Compensation**

All fees are subject to negotiation.

The specific manner by which we will charge fees will be established in your written client agreement with BAMG. We will generally bill our fees on a quarterly basis. Clients may elect to be billed in advance or arrears each calendar quarter. Clients may also elect to be billed directly for fees or to authorize BAMG to debit fees directly from the client’s accounts. Our management fees will be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination

of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses, which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers and other third parties such as fees charged by managers, custodial fees, 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 exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to BAMG's fee, and BAMG shall not receive any portion of these commissions, fees and charges.

Item 12 further describes the factors that BAMG considers in selecting broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

In most cases, BAMG enters into performance fee arrangements with qualified clients; performance fees are subject to individualized negotiation with each such client. BAMG will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (The Advisors Act) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, BAMG will include realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for advisers to recommend investments which may be riskier or more speculative than those that would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. BAMG has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

## **Item 7 – Types of Clients**

BAMG currently provides portfolio management services to corporate banking affiliates, private funds and educational endowments and envisions that future advised accounts will include high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds, trust programs, sovereign funds, foreign funds, and other U.S. and international institutions. The minimum account size that BAMG will manage is \$25,000,000.

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

### **A. Methods of Analysis**

BAMG's objective is to earn high absolute returns without taking excessive risk by investing in value oriented, event-driven strategies that allow us to purchase assets at a discount to their intrinsic value. We invest in credit and equity instruments in industries and asset classes that are experiencing varying levels of distress or dislocation. Our investment process combines fundamental industry and entity analysis with a deep understanding of complex transactions and processes including bankruptcies and restructurings.

A majority of our investments are in secondary market instruments although on an opportunistic basis, we may participate in primary issuances of debt or equity. BAMG invests or takes a short position in the full range of financial instruments including: (1) investment grade corporate debt, high yield bonds, leveraged loans and distressed debt, (2) structured credit products which may include commercial and residential mortgage securities, aircraft securitization, and other asset backed structured securities, (3) trade claims (4) value oriented equities in companies and industries experiencing stress or dislocation, and (5) credit default swaps. Although BAMG does not use direct leverage, our clients may be exposed to indirect leverage when we, on a limited basis, utilize equity and bond short sales, credit and currency derivative products and various index products to hedge and or enhance our trading strategies.

**B. Risk of Loss**

Account values will fluctuate based upon a multitude of factors, including the financial condition, results of operations and prospects of the issuers of the underlying securities or loan positions, governmental intervention, market conditions, and local, regional, national and global economic conditions. Therefore, clients may lose all or a portion of their principal invested with BAMG if the investment strategies are not successful. Among the risks that investing in securities involves are:

Market Risk - The day-to-day potential for an investor to experience losses from fluctuations in securities prices.

Credit Risk/Counterparty Risk - The risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. Credit risk arises whenever a borrower is expecting to use future cash flows to pay a current debt. Investors are compensated for assuming credit risk by way of interest payments from the borrower or issuer of a debt obligation. BAMG invests primarily in the securities of financially troubled issuers and operationally troubled issuers that involve a high degree of credit and market risk. Although BAMG will invest in select companies that, in the view of BAMG, have the potential over the long term for capital growth, there can be no assurances that such financially troubled issuers or operationally troubled issuers can be successfully transferred into profitable operating companies. There is the possibility that a client may incur substantial or total losses on their investments or that such investments may not show any return for a considerable period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There can be no assurance that BAMG will correctly evaluate the value of a company's assets or the prospects for a successful reorganization or similar action.

Liquidity - Many of the markets and instruments traded by BAMG for its clients may experience significant changes to liquidity and potential illiquidity at any given time during the economic cycle. Securities and other financial instruments of financially troubled issuers and operationally troubled issuers are less liquid and more volatile than securities of companies not experiencing financial difficulties. The market prices of such securities are subject to erratic and abrupt market movements, and the spread between bid and asked prices may be greater than normally expected.

Concentration Risk – Client accounts are not generally limited with respect to the amount of capital that may be committed to any one investment. Unless separately negotiated, no limit will be placed on the concentration of investments to be made in a single industry.

Bank Loans, Participations and Assignments - BAMG's investment program may include investments in significant amounts of bank loans and participations. These obligations are subject to unique risks, including:

- the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws;
- so-called lender-liability claims by the issuer or creditors of the obligations;
- environmental liabilities that may arise with respect to collateral securing the obligations; and
- limitations on the ability of the funds to directly enforce their rights with respect to participations.

In analyzing each bank loan or participation, BAMG compares the relative significance of the risks against the expected benefits of the investment. Successful claims by third parties arising from these and other risks will be borne by the investors. In the event of the insolvency of the selling institution, an investor, by owning a participation interest, may be treated as a general unsecured creditor of the selling institution and may not benefit from any set off between the selling institution and the borrower. In addition, an investor may purchase a participation interest from a selling institution that does not itself retain any portion of the applicable loan and, therefore, may have limited interest in monitoring the terms of the loan agreement and the continuing creditworthiness of the borrower. When an investor holds a participation interest in a loan it will not have the right to vote under the applicable loan agreement with respect to every matter that arises thereunder and it is expected that each selling institution will reserve the right to administer the loan sold by it as it sees fit and to amend the documentation evidencing such loan in all respects. Selling institutions voting in connection with such matters may have interests different from those of the investor and may fail to consider the interests of the investors in connection with their votes. The purchaser of an assignment of an interest in a loan typically succeeds to all the rights and obligations of the assigning selling institution and becomes a lender under the loan agreement with respect to that loan. As a purchaser of an assignment, an investor generally will have the same voting rights as other lenders under the applicable loan agreement, including the right to vote



to waive enforcement of breaches of covenants or to enforce compliance by the borrower with the terms of the loan agreement and the right to set off claims against the borrower and to have recourse to collateral supporting the loan. Assignments are, however, arranged through private negotiations between assignees and assignors and in certain cases the rights and obligations acquired by the purchaser of an assignment may differ from, and be more limited than, those held by the assigning selling institution. Assignments and participations are sold strictly without recourse to the selling institutions and the selling institutions will generally make no representations or warranties about the underlying loan, the borrowers, the documentation of the loans or any collateral securing the loans. In addition, the investor will be bound by provisions of the underlying loan agreements, if any, that require the preservation of the confidentiality of information provided by the borrower. Because of certain factors including confidentiality provisions, the unique and customized nature of the loan agreement and the private syndication of the loan, loans are not purchased or sold as easily as are publicly traded securities.

**Bankruptcy and Restructuring Process Risk** – The main focus of BAMG’s distressed debt strategy is to take advantage of opportunities arising from financial distress. There are a number of significant risks involved in investing in bankruptcy and /or restructuring proceedings. First, many events in a bankruptcy are the product of contested matters and adversarial proceedings which are beyond the control of the creditors. Second, a bankruptcy filing may have adverse and permanent effects on a company. For instance, the company may lose its market position and key employees and otherwise become incapable of restoring itself as a capable entity. Further, if the proceeding is converted to liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment. Third, the duration of a bankruptcy proceeding is difficult to predict. A creditor’s return on investment can be impacted adversely by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court, and until it ultimately becomes effective. Fourth, certain claims, such as claims for taxes, wages and certain trade claims, may have priority by law over the claims of certain creditors. Fifth, the administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor’s estate prior to any return to creditors. Sixth, creditors can lose their ranking and priority in a variety of circumstances, including if they exercise “domination and control” over a debtor and other creditors can demonstrate that they have been harmed by such actions. Seventh, investors in the

company may be subject to a court-imposed “cram down” in which they lose their seniority in the capital and security interest structure. Eighth, BAMG may seek representation on creditors’ committees and as a member of a creditors’ committee it may owe certain obligations generally to all creditors similarly situated that the committee represents and may be exposed to liability to such other creditors who disagree with BAMG’s actions. There can be no assurance that BAMG would be successful in obtaining results most favorable to its clients in such proceedings, although clients may incur significant legal fees and other expenses in attempting to do so. BAMG may also be subject to various trading or confidentiality restrictions.

Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing, and the classification, seniority and treatment of claims.

Derivative Risks – Where it is permitted under a client’s Investment Management Agreement BAMG uses derivative financial instruments, which may include, without limitation, warrants, options, equity and/or interest rate swaps, credit default swaps, forward contracts, futures contracts and options thereon, and uses derivative techniques for hedging and for other trading purposes. The use of derivative instruments involves a variety of material risks, including the extremely high degree of leverage often embedded in such instruments and the possibility of counterparty non-performance as well as of material and prolonged deviations between the actual and the theoretical value of a derivative, due to, e.g., nonconformance to anticipated or historical correlation patterns. In addition, the markets for certain derivatives are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out positions in order either to realize gains or to limit losses.

Some of the derivatives that may be traded by BAMG will be “over-the-counter” contracts between a client and third parties entered into privately, rather than on an established exchange. As a result, Clients will not be afforded the regulatory protections of an exchange or its clearinghouse, or of a government regulator that oversees the exchange or clearinghouse, if a counterparty fails to perform. In privately negotiated transactions, the risk of the negotiated price deviating materially from fair value is substantial, particularly when there is no active market available from which to derive benchmark prices.

Foreign Exchange Risk Exposure - Most of the investments that BAMG makes for its accounts are denominated in U.S. dollars and issued in U.S. dollars. Certain of the assets in some accounts may, however, be invested in securities and other investments that are denominated in currencies other than U S dollars. Accordingly, the value of such assets may be affected favorably or unfavorably by fluctuations in currency rates. In addition, prospective investors whose assets and liabilities are predominantly in other currencies should take into account the potential risk of loss arising from fluctuations in value between U.S. dollars and such other currencies. Some accounts may enter into spot and/or forward contracts to hedge currency risk exposure.

Regulatory and Other Governmental Risks - Regulatory changes could occur that may adversely affect alternative investments, which are the focus of BAMG's strategies. The legal, tax and regulatory environment for alternative investments is evolving, and changes in such regulation may adversely affect the value of such investments in our strategies. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies, and retain the right to suspend or limit trading in securities, which could expose our accounts to losses. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by governmental and judicial action. The effect of any future regulatory change on BAMG's business could be substantial and adverse.

In recent years, market disruptions and the dramatic increase in the capital allocated to alternative investment strategies have led to increased governmental as well as self-regulatory scrutiny of the alternative investment fund industry in general, and certain legislation proposing greater regulation of the industry periodically is considered by the U.S. Congress and the SEC, as well as the governing bodies of non-U.S. jurisdictions. It is impossible to predict what, if any, changes in the regulations applicable to us and the accounts we manage, the markets in which our accounts trade and invest or the counterparties with which we do business may be instituted in the future. There can be no assurance that we or the accounts we manage will be able, for financial reasons or otherwise, to comply with future laws and regulations.

## **Item 9 – Disciplinary Information**

As a registered investment adviser, BAMG is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. BAMG has no information applicable to this report in this regard, but is including some information regarding various disciplinary proceedings brought against its 100% direct owner, Barclays

Barclays has disclosed in annual results announcements, annual reports and accounts and Forms 20-F and other publicly available filings since 2007 that it has been conducting an internal review of its conduct with respect to U.S. dollar payments made between January 1, 2000 and July 31, 2007, involving countries, persons and entities subject to U.S. economic sanctions and that it has been reporting the results of that review to the U.S. Authorities (as defined below). Barclays announced on August 18, 2010 that it had reached settlements (the "Settlements") with the United States Department of Justice, the Manhattan District Attorney's Office, and the US Department Of Treasury's Office of Foreign Assets Control ("OFAC") (together the "U.S. Authorities") in relation to the investigation by those agencies into compliance with U.S. sanctions and U.S. dollar payment practices. In addition, an Order to Cease and Desist has been issued upon consent by the Federal Reserve Bank of New York and the New York State Banking Department. Barclays has agreed to pay a total penalty of US\$298 million and has entered into Deferred Prosecution Agreements covering a period of 24 months. The Deferred Prosecution Agreements mean that no further action will be taken against BBPLC by the U.S. Authorities if, as is Barclays's intention, for the duration of the defined period it meets the conditions set forth in its agreements with the U.S. Authorities. The Settlements did not involve BAMG or its investment advisory activities and the Settlements will not have any impact on clients' accounts or the services that BAMG provides to clients.

On January 14, 2011, Barclays reached a settlement with the Financial Services Authority ("FSA") in which the FSA alleged that Barclays violated Principle 9 and rules COB 5.3.5 R and COBS 9.2.1 R because it failed to take reasonable care to ensure the suitability of the advice it gave with respect to two funds that it sold, the Aviva Global Balanced Income Fund and the Aviva Global Cautious Income Fund. BBPLC agreed to a fine of approximately US\$12 million, to pay restitution to any customers whose sales were deemed unsuitable and to enhance its sales processes.

On May 6, 2007, Barclays, without admitting or denying the findings contained therein, consented to the issuance of a court order in which the SEC found that Barclays violated Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Exchange Act Rule 10b-5 by engaging in the purchase and sale of certain distressed debt securities while aware of material non-public information concerning such debt issuers and not enforcing trading restrictions when in possession of material non-public information. Based on these findings, Barclays agreed to a fine of US\$6 million, disgorgement of approximately US\$4 million and prejudgment interest of approximately US\$ 1 million.

On June 27, 2012, the Commodity Futures Trading Commission (“CFTC”) and Barclays PLC, Barclays Bank PLC and Barclays Capital Inc. (collectively, “Barclays”) entered into a settlement agreement through which Barclays consented to the entry of an Order Instituting Proceedings Pursuant to Sections 6(c), 6(d) and 9(a)(2) of the Commodity Exchange Act, as amended, Making Findings and Imposing Remedial Sanctions (“Order”). Following is a summary of the CFTC’s findings in the Order:

Over a period of several years beginning at least as early as 2005, Barclays, by and through its agents, officers and employees located in at least New York, London and Tokyo, attempted to manipulate, and made false, misleading or knowingly inaccurate submissions concerning, two global benchmark interest rates, LIBOR and EURIBOR.

During the period from at least mid-2005 through the fall of 2007, and sporadically thereafter into 2009, Barclays based its LIBOR submissions for U.S. Dollar (and at limited times other currencies) on the requests of current and former Barclays swaps traders who were attempting to affect the official LIBOR rate in order to benefit their derivatives trading positions. This same conduct occurred with respect to Barclays’ EURIBOR submissions during the period of at least mid-2005 through mid-2009.

During the period from approximately mid-2005 through at least mid-2008, certain Barclays Euro swaps traders coordinated with and aided and abetted traders at certain other banks to influence the EURIBOR submissions of multiple banks, including Barclays, in order to affect the official EURIBOR rate and thereby benefit their respective derivatives trading positions.

During the financial crisis of late August 2007 through early 2009, Barclays lowered its LIBOR submissions in order to manage what it believed to be an inaccurate and

negative public and media perception that Barclays had a liquidity problem, based in part on its high LIBOR submissions relative to submissions of other banks that Barclays believed were too low given market conditions. Pursuant to a directive by certain members of Barclays' senior management, Barclays submitted lower rates for U.S. Dollar LIBOR, and at limited times Yen and Sterling LIBOR, than what it had determined to be the appropriate rates.

Barclays' lack of specific internal controls and procedures concerning its submission processes for LIBOR and EURIBOR and its inadequate supervision of trading desks allowed this conduct to occur.

The CFTC ordered Barclays to cease and desist from violating Sections 6(c), 6(d) and 9(a)(2) of the Commodity Exchange Act and imposed a civil monetary penalty of \$200 million against Barclays PLC, Barclays Bank PLC and Barclays Capital Inc., jointly and severally.

In its consent to the Order, Barclays agreed to undertake the following: (1) to ensure the integrity and reliability of its Benchmark Interest Rate Submission(s); and (2) to identify, construct and promote effective methodologies and processes of setting Benchmark Interest Rates, in coordination with efforts by Benchmark Publishers, in order to ensure the integrity and reliability of such rates.

Barclays further represented and agreed to undertake that each Benchmark Interest Rate Submission by Barclays shall be based upon a rigorous and honest assessment of information, and shall not be influenced by internal or external conflicts of interest, or other factors or information extraneous to any rules applicable to the setting of a Benchmark Interest Rate.

Barclays also agreed to certain processes and procedures in furtherance of these undertakings.

In anticipation of an administrative proceeding, Barclays submitted an Offer of Settlement to the CFTC, which the CFTC accepted on June 27, 2012 when the CFTC issued the Order. Without admitting or denying the findings or conclusions set forth in the Order, except to the extent Barclays admits those findings in any related action against Barclays by, or any agreement with, the Department of Justice or any other governmental agency or office, Barclays consented to entry of the Order.

The CFTC expressly noted Barclays' significant cooperation during the investigation.

In a Final Notice ("Notice") dated June 27, 2012, the U.K. Financial Services Authority ("FSA") described the settlement of its investigation of Barclays Bank PLC ("BBPLC"), the parent company of the registrant, Barclays Asset Management Group LLC ("BAMG"), in accordance with section 206 of the Financial Services and Markets Act 2000. The FSA's reasons for its issuance of the Notice, as set forth more fully in the Notice, are summarized below.

BBPLC acted inappropriately and breached Principle 5 of the FSA's Principles for Business on numerous occasions between January 2005 and July 2008 by making US dollar LIBOR and EURIBOR submissions that took into account requests made by its interest rate derivatives traders. At times these included requests made on behalf of derivatives traders at other banks.

BBPLC also breached Principle 5 on numerous occasions between February 2006 and October 2007 by seeking to influence the EURIBOR and (to a much lesser extent) the US dollar LIBOR, submissions of other banks. As a result of this conduct, there was a risk that the published LIBOR and EURIBOR rates would be manipulated.

BBPLC acted inappropriately and breached Principle 5 on numerous occasions between September 2007 and May 2009 by making LIBOR submissions that took into account concerns expressed by senior management of BBPLC that high LIBOR submissions from BBPLC would cause negative media perception of BBPLC's LIBOR submissions. This resulted in instructions being given by less senior managers to reduce LIBOR submissions in order to avoid negative media comment.

BBPLC breached Principle 3 from January 2005 until June 2010 by failing to have adequate risk management systems or effective controls in place in relation to its LIBOR and EURIBOR submissions processes. BBPLC had no specific systems and controls in place relating to its LIBOR and EURIBOR submissions processes until December 2009 (when BBPLC started to improve its systems and controls). BBPLC's misconduct was exacerbated by these inadequate systems and controls and by failures to review whether its systems and controls were adequate.



BBPLC breached Principle 2 by failing to conduct its business with due skill, care and diligence when considering issues raised internally in relation to its LIBOR submissions. On three occasions during 2007 and 2008, LIBOR issues were escalated to BBPLC's Investment Banking compliance function, which failed in each case to assess and address the issues effectively. These compliance failures allowed BBPLC's breaches of Principles 5 and 3 to continue and also led to unclear and insufficient communication about issues to the FSA.

The FSA imposed a financial penalty of £59.5 million on BBPLC.

As set forth more fully in the Notice, in determining the appropriate level of the penalty to be paid by BBPLC, the FSA considered the nature and extent of the cooperation provided by BBPLC during the course of its investigation. The FSA acknowledged that BBPLC "provided extremely good co-operation", in particular in providing access to evidence and facilitating voluntary witness interviews which were conducted by the FSA together with other authorities.

In a related matter, under a Non-Prosecution Agreement ("NPA") dated June 26, 2012 with the U.S. Department of Justice Criminal Division, Fraud Section ("DOJ"), Barclays Bank PLC and its parent, subsidiaries and affiliates (collectively, "Barclays Group") admit, accept and acknowledge responsibility for the conduct set forth by the Department of Justice in the Statement of Facts ("Statement") attached to the NPA. Following is a summary of the Statement:

From approximately 2005 through 2007, and occasionally thereafter through approximately 2009, certain Barclays Group swaps traders requested that certain Barclays Group LIBOR and EURIBOR submitters submit LIBOR and EURIBOR contributions that would benefit the traders' trading positions, rather than rates that complied with the definitions of LIBOR and EURIBOR. The submitters accommodated these requests on numerous occasions. In addition, in some instances from at least as early as August 2006 through approximately January 2007, and then on another occasion in or about June 2009, Barclays Group Yen swaps traders made requests to Barclays Group Yen LIBOR submitters for favorable Yen LIBOR settings. Barclays Group Yen LIBOR submitters accommodated those requests on some occasions. The purpose of this activity was to manipulate Barclays Group's Dollar and Yen LIBOR contributions and its EURIBOR contributions and to influence the resulting LIBOR and EURIBOR fixes. Also, from at least approximately August 2005 through at least approximately May



2008, certain Barclays Group swaps traders made requests of swaps traders at other financial institutions for favorable LIBOR and EURIBOR contributions. Submissions by Barclays Group that took into account requests from swaps traders for favorable treatment were false and misleading.

From approximately August 2007 through at least approximately January 2009, Barclays Group often submitted inaccurate Dollar LIBORs that under-reported its perception of its borrowing costs and its assessment of an appropriate Dollar LIBOR submission, and were nearer to the expected rate contributions of other banks, at the direction of certain members of management of Barclays Group, including senior managers in the treasury department and managers of the money markets desk. Such rates were false because they were lower than what Barclays Group otherwise would have submitted and contrary to the definition of LIBOR. This was done to protect Barclays Group's reputation against media and market perceptions that Barclays Group had a liquidity problem based in part on its high LIBOR submissions relative to the submissions of other banks, which Barclays Group believed were too low given market conditions.

The manipulation of Barclays' submissions affected the fixed rates on some occasions.

Barclays Group agreed to pay a monetary penalty of \$160,000,000 to the United States Treasury.

In the NPA, the DOJ expressly noted Barclays Group's thorough and timely cooperation and commitment to future cooperation with the DOJ and other government authorities in the United States and United Kingdom.

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

### **A. Broker-Dealer Registration Status**

BAMG and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

### **B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status**

BAMG and its management persons are not registered as, and do not have any application pending to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

C. Material Relationships or Arrangements with Industry Participants

BAMG is a direct subsidiary of Barclays and indirectly a subsidiary of Barclays PLC. Barclays is one of the world's oldest and largest banks with a global presence and banking and securities operations in virtually all major financial centers. Included within the Barclays organization are banks, broker-dealers, other investment advisers, futures commissions merchants and all of the activities that are traditionally associated with large, universal-style banking organizations, including, but not limited to securities underwriting and trading, loan underwriting and trading, derivatives of all types, commodities and currencies. From time to time, BAMG may execute a transaction for you with one of our affiliated companies, but we will only do so in conformity with applicable SEC regulations.

For instance, one of BAMG's affiliates is Barclays Capital Inc ("BCI"), which is registered with the SEC as an investment adviser and broker-dealer. From time to time, consistent with its duty of best execution and applicable provisions of The Advisors Act, BAMG may execute transactions for its clients through BCI.

D. Material Conflicts of Interest Relating to Other Investment Advisers

BAMG does not recommend or select other investment advisers for its clients.

**Item 11 – Code of Ethics**

BAMG has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at **BAMG** must acknowledge the terms of the Code of Ethics annually, or as amended.

The personal transactions and investment activities of employees of investment advisory firms are the subject of various federal securities laws, rules and regulations. BAMG requires pre-clearance with respect to personal trading by access persons and all of BAMG's access persons must provide the Chief Compliance Officer with a list of their personal accounts and an initial holdings report within 10 days of becoming an access person. In addition, BAMG's access persons must provide annual holdings reports and quarterly transaction reports in accordance with SEC Rule 204A-1. Access persons must conduct all personal securities transactions in a manner that avoids a conflict between their personal interests and those of BAMG and its clients.

BAMG anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which we have management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which BAMG, its affiliates and/or clients, directly or indirectly, have a position of interest. BAMG's employees and persons associated with BAMG are required to follow Barclays Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of BAMG and its affiliates may trade for their own accounts in securities that are recommended to and/or purchased for BAMG's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of BAMG will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of BAMG's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with BAMG's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. BAMG will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

BAMG's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Michael Montgomery, Chief Compliance Officer at (310) 907-0459 or by e-mail at [michael.montgomery@barclays.com](mailto:michael.montgomery@barclays.com)

From time to time, BAMG may execute a transaction for you with one of our affiliated companies, but we will only do so in conformity with applicable SEC regulations. 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 from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12 – Brokerage Practices**

BAMG is responsible for the placement of its accounts' transactions and the negotiation of prices and commissions, if any, with respect to such transactions. Fixed income and unlisted equity securities are generally purchased from a primary market maker acting as principal on a net basis without a stated commission but at prices generally reflecting a dealer spread. Listed equity securities are normally purchased through brokers in transactions executed on securities exchanges involving negotiated commissions. Both fixed income and equity securities are also purchased in underwritten offerings at fixed prices that include discounts to underwriters and/or concessions to dealers.

In selecting brokers-dealers and executing transactions for its accounts, BAMG seeks to obtain the best combination of price and execution on transactions effected for its accounts. For BAMG, getting the best net price is an important but not deciding factor in selecting a broker or dealer to execute an account's transaction. Other considerations include the nature of the security being traded, the size and type of the transaction, the desired timing of the trade, the reputation of the broker-dealer for confidentiality, the perceived financial and operational soundness of the broker-dealer and the research services and products furnished by the broker-dealer.

In seeking to obtain the best execution, BAMG will not usually seek in advance competitive bidding for the most favorable commission rate or spread applicable to any particular portfolio transaction or to select any broker-dealer on the basis of its published commission rates. Although BAMG generally seeks competitive commission rates and dealer spreads, it will not necessarily pay the lowest commission or commission equivalent. Certain transactions may involve specialized services on the part of the broker-dealer involved and may result in higher commissions or dealer spreads than might otherwise be incurred in transactions requiring only routine services.

Consistent with obtaining best execution, BAMG may direct brokerage commissions (including dealer spreads paid on certain riskless principal transactions in accordance with SEC interpretations) on the transactions of its managed accounts to a broker-dealer in recognition of research services furnished by the broker-dealer or a designated third party, as well as for services rendered in the execution of orders by such broker-dealers. BAMG may maintain an internal allocation procedure to identify

those broker-dealers who have provided it with research services and may endeavor to place sufficient transactions with them to ensure the continued receipt of research services that BAMG believes are useful to the accounts. BAMG does not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among accounts, believing that the research received is, in the aggregate, of assistance to BAMG in fulfilling its overall duty to its clients. However, each and every research service may not be used to service each and every account managed by BAMG and BAMG may use research services to service accounts that did not pay commissions to the broker-dealers providing such research services. Moreover, BAMG may benefit from those services as it may not have to pay for such research services out of its own resources.

The receipt of investment research and information and related services permits BAMG to supplement its own research and analysis and makes available to BAMG the views and information of individuals and research staffs of other firms. The views and information include written materials on certain companies, industries, areas of the economy or market factors and other areas that might affect the economy or securities prices. Research services may also include statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market actions, pricing and appraisal services, credit risk measurement and performance analysis, analysis of corporation responsibility issues, portfolio strategy, analytic computer software, and account performance services. They also include advice from broker-dealers as to the value of securities, availability of buyers and availability of sellers. In addition, they may include recommendations as to purchase and sale of individual securities and timing of transactions.

These research services may be received through on-line information services provided by the broker-dealer or a designated third party. Due to the receipt of various research materials through on-line services, products may include computer hardware and software in connection with gaining access to the information and may be considered a mixed-use item, having both research and non-research functions. The non-research portion will be paid in cash by BAMG, while the portion attributable to research will be paid through brokerage commissions. Broker-dealers selected by BAMG may be paid commissions for effecting these transactions if BAMG determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or BAMG's overall duty to its discretionary accounts.

### **Item 13 – Review of Accounts**

At least monthly BAMG conducts a full review of all of its accounts. These reviews are conducted by the Head of Portfolio Management and are attended by virtually all analysts and other professionals involved in making investment decisions or otherwise managing a client's account. Substantively, account reviews will include performance of the account, adherence of the account to its investment mandates, potential transactions for the account and any other consideration that may be pertinent.

There is daily informal monitoring of accounts with the positions and trades of all accounts reviewed daily by the Head of Portfolio Management, relevant analysts and the Chief Compliance Officer.

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

Neither BAMG nor any of its related persons compensate any person who is not a supervised person (employee) of BAMG for client referrals.

### **Item 15 – Custody**

BAMG does not maintain custody of its clients' cash, securities or other investment assets. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. BAMG urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### **Item 16 – Investment Discretion**

BAMG usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or

sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, BAMG observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, BAMG's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to BAMG in writing.

#### **Item 17 – Voting Client Securities**

The procedures by which BAMG will vote your securities will be addressed in your individual Investment Management Agreements. As a matter of firm policy and practice, BAMG leaves all voting securities matters up to the client. However, upon request, BAMG will provide its views on how securities should be voted, but will always do so with its fiduciary duty to the client as the guiding principle in providing such advice. Likewise, where an Investment Management Agreement specifies that BAMG will vote a client's securities, BAMG will do so with absolute regard to its fiduciary duty to endeavor to obtain the best outcome for its clients.

#### **Item 18 – Financial Information**

BAMG does not solicit prepayment of more than \$1,200 in fees per client six months or more in advance

BAMG 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.