

# ING Investment Management Co. LLC

**230 PARK AVENUE  
NEW YORK, NY 10169  
(212) 309-8200  
WWW.INGINVESTMENT.COM  
MARCH 31, 2013**

This Form ADV Part 2A ("brochure") provides information about the qualifications and business practices of ING Investment Management Co. LLC ("IIM Co."). If you have any questions about the contents of this brochure, please contact IIM Co.'s Legal department at (212) 309-8200. 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. IIM Co. is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training.

Additional information about IIM Co. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. IIM Co.'s CRD number is 106494. The SEC's web site also provides information about any persons affiliated with IIM Co. who are registered, or are required to be registered, as investment adviser representatives of IIM Co., as well as disciplinary and other background information regarding IIM Co.

In order to make it easy for clients to receive and retain the brochure in the most timely and efficient manner possible, as well as to save needless waste and expense, whenever possible IIM Co. would like to provide the brochure to clients electronically. This option is currently available only to clients other than those in "wrap fee programs" or "managed account programs." If you would like or would be willing to receive the brochure via email or similar electronic means in the future, please contact your IIM Co. representative. Separately managed institutional clients may contact their representative at [INGClientService@INGInvestment.com](mailto:INGClientService@INGInvestment.com).

## ITEM 2

### Material Changes

There are no material changes from the information in our brochure since it was most recently updated as of March 31, 2012.

ITEM 3

## Table of Contents

Item 2	Material Changes .....	2
Item 3	Table of Contents .....	3
Item 4	Advisory Business.....	4
Item 5	Fees and Compensation.....	5
Item 6	Performance-Based Fees and Side-By-Side Management .....	6
Item 7	Types of Clients.....	7
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss .....	7
Item 9	Disciplinary Information .....	9
Item 10	Other Financial Industry Activities and Affiliations .....	10
Item 11	Code of Ethics .....	11
Item 12	Brokerage Practices .....	13
Item 13	Review of Accounts .....	17
Item 14	Client Referrals and Other Compensation .....	17
Item 15	Custody.....	18
Item 16	Investment Discretion .....	18
Item 17	Voting Client Securities.....	18
Item 18	Financial Information .....	19

#### ITEM 4

## Advisory Business

IIM Co. is a wholly-owned subsidiary of ING Investment Management LLC (a registered investment adviser), which in turn is a wholly-owned subsidiary of Lion Connecticut Holdings Inc., which in turn is a wholly-owned subsidiary of ING U.S., Inc., which in turn is a wholly-owned subsidiary of ING Insurance International B.V., which in turn is a wholly-owned subsidiary of ING Verzekeringen N.V., which is a wholly-owned subsidiary of ING Insurance Topholding N.V., which is a wholly-owned subsidiary of ING Groep N.V. ING Groep N.V. is publicly owned, headquartered in Amsterdam, The Netherlands.

IIM Co. began business as an investment adviser on November 6, 1972 under the name of Aetna Capital Management, Inc. IIM Co. serves as adviser and sub-adviser to a variety of investment vehicles, including but not limited to separately managed accounts, hedge funds, registered investment companies (open-end mutual funds and closed-end funds), UCITS funds, and SICAVs. Common and collective (pooled) structures maintained by ING Investment Trust Co., a subsidiary of IIM Co., may be available to certain accounts that do not meet the minimum asset size required by IIM Co. for a separately managed account or that otherwise desire to invest in these structures. Utilizing global resources, IIM Co. offers a variety of investment advisory and investment management services for equity, fixed income, balanced, private placements, and multi-asset class strategies. Portfolio management services to wrap fee programs are discussed more fully below.

IIM Co. will tailor its advisory services and investment guidelines to the individual needs of clients for separately managed accounts. In addition, clients generally may impose their own investment restrictions. The types of financial instruments that may be used are outlined in an agreement entered into between IIM Co. and the client. For mutual funds, hedge funds and other collective investment vehicles, the types of financial instruments that may be used are generally set forth in the prospectus or other applicable offering document.

IIM Co.'s ultimate parent entity—ING Groep, N.V.—has developed the ING Defence policy which restricts investments in certain firms involved in certain aspects of the defense or weapons industry. Likewise, ING Groep, N.V. also has developed other investment policies that take Environment, Social and Governance (“ESG”) factors into account. Any of these policies may be implemented at a client's discretion. (For some clients, imposing these types of investment restrictions may not comply with applicable law.) Additional information about these policies can be obtained from IIM Co. upon request. IIM Co. is also happy to work with clients on implementing their own policies of this nature.

The overwhelming majority of assets managed by IIM Co. are discretionary in nature, although from time-to-time non-discretionary mandates may be accepted. As of December 31, 2012, IIM Co. managed \$76,086,077,000 in discretionary assets and none in non-discretionary assets.

## WRAP FEE SERVICES

Through negotiated arrangements with certain brokerage firms, IIM Co. may manage accounts of clients under programs where clients pay a single fee to the brokerage firm which may encompass IIM Co. fees, certain transaction costs, custody, performance measurement and administrative costs (referred to as wrap fee arrangements). Under many of these wrap fee arrangements, IIM Co. may have an agreement only with the sponsor as a subadviser; in these cases, IIM Co. would typically receive a portion of the overall wrap fee. However, in others, IIM Co. may also enter into an advisory agreement directly with the client.

In cases where IIM Co. has negotiated arrangements with firms (some of whom may also serve as broker-dealers and/or investment advisers) whose customers have entered into wrap fee arrangements with the firms, IIM Co. may be selected by the firm or by the customer from among several investment managers presented to the client by the firm. If IIM Co. is selected, IIM Co. is usually compensated directly by the firm offering the wrap fee program. While IIM Co.'s compensation in such cases may be lower than IIM Co.'s standard fee schedule, the overall cost of a wrap fee arrangement may be higher than the client otherwise would experience by paying IIM Co.'s standard fees and negotiating transaction charges with a broker-dealer that are payable on a per transaction basis (either directly in directed brokerage arrangements or through IIM Co. when IIM Co. is authorized to select a broker-dealer).

As a general matter, IIM Co. manages wrap fee accounts similarly to other accounts following the same investment strategy. However, the particular investment guidelines of a wrap fee account or the size of these accounts may result in differences. For example, whereas large separately managed accounts may employ over-the-counter derivatives, wrap fee accounts may not be large enough to establish the necessary counterparty relationships. In addition, wrap accounts are traditionally managed as a model with investment decisions being made more or less uniformly across numerous underlying accounts, whereas investment decisions and restrictions within the same strategy may be tailored somewhat differently for separately managed institutional accounts.

## OTHER ADVICE

Pursuant to written agreements, IIM Co. may provide recommendations and investment advice regarding investment strategies to affiliated and unaffiliated entities. The investment advice may include model portfolio holdings and/or weightings and other information regarding the construction and maintenance of portfolios, which may be used by these entities in the management of their own or their clients' assets. IIM Co. may (but need not) delay communicating information regarding the composition of model portfolios or any updates thereto until after IIM Co. advisory accounts have commenced or completed trading in the same or similar securities. As a result, trades ultimately placed using the IIM Co. model portfolio may be subject to price movements, particularly with large orders or where the securities are thinly traded, that may result in model portfolio accounts receiving prices that are less favorable than the prices obtained for certain IIM Co. advisory accounts. It is also

possible that these entities who make execution decisions for model portfolio accounts may act upon such recommendations before certain IIM Co. advisory accounts have commenced trading based on such recommendations, in which case, particularly with respect to large orders or orders involving thinly traded securities, such IIM Co. advisory accounts may receive prices that are less favorable than the prices obtained for certain model portfolio accounts.

#### INVESTMENT AUTHORITY

Subject to any written guidelines which the client may provide, IIM Co. normally has complete discretion and authority to manage client accounts. IIM Co., as the client's agent and attorney-in-fact, generally holds a limited power of attorney to act without prior consultation. Accordingly, IIM Co. is generally authorized to perform various functions, at the client's expense, without further approval from a client, except as required by law, including: (a) to make all investment decisions; (b) to buy, sell, and otherwise trade in securities; (c) to issue instructions to the custodian for operational matters of the account for such items as tender offers and reorganizations; (d) to select brokers or dealers to execute securities transactions; and (e) vote proxies and make similar decisions, except that as a general matter, a fund's or account's custodian rather than IIM Co. is responsible for filing class action claims and, with certain exceptions, IIM Co. generally does not commence or pursue litigation on behalf of clients or separately managed accounts. With respect to many clients, IIM Co. may enter into swaps and other derivatives and may execute ancillary documents on their behalf. In certain instances, IIM Co. may enter into non-discretionary arrangements with its clients where IIM Co. obtains client approval prior to execution of a trade or provides the client with investment recommendations which the client, in its sole discretion, may implement.

In some situations, IIM Co. and/or its affiliates may provide administrative, trading, marketing and other support services for affiliated or unaffiliated entities, where the entities are responsible for making portfolio management decisions. As one example, IIM Co. or an affiliate may provide trading desk, research or similar support services for affiliated or unaffiliated investment advisers.

In connection with wrap fee programs and other funds or accounts, IIM Co. has entered into a back-office outsourcing arrangement with SEI Global Services, Inc. whereby SEI Global Services, Inc. assumes responsibility for certain operations and accounting functions (including, but not limited to, account opening and maintenance, trade support and reconciliation) as well as providing technology infrastructure support. For separately managed institutional accounts, IIM Co. has entered into a back-office outsourcing arrangement with The Bank of New York Mellon, whereby The Bank of New York Mellon assumes responsibility for certain operations and accounting functions (including, but not limited to, account opening and maintenance, shareholder recordkeeping, trade support, financial reporting, accounting, and reconciliation) while allowing IIM Co. to leverage the Bank of New York Mellon technology infrastructure. IIM Co. may enter into similar outsourcing arrangements with other financial institutions.

#### ITEM 5

### Fees and Compensation

#### GENERAL FEE STRUCTURE

Generally, investment advisory and management fees are calculated as a percentage of assets under management and are typically payable quarterly in arrears based on the quarter-end market value, although clients may also agree upon other billing arrangements. Wrap fee programs may have an alternative fee arrangement which is discussed below. In addition to investment advisory and management fees, funds and accounts also bear other types of expenses, such as custody and audit fees, commissions and transaction costs. Brokerage expenses and related trading costs are discussed more fully in Item 12.

Where a client has chosen a custodian bank or broker to hold its assets, IIM Co.'s advisory fees are based on the amount of assets under management by IIM Co. and are independent of fees charged by client's custodian bank for "sweeping" cash into money market mutual funds and any other fees charged by the custodian bank. Generally, any cash not otherwise invested on behalf of clients or funds will be invested in cash equivalents, such as certificates of deposit, master notes and money market funds. Since most money market funds charge a management fee, in such instances the client or fund may pay, in effect, two advisory fees, i.e., that of IIM Co. and the management fee of the money market fund itself.

IIM Co. may be compensated under performance-based fee arrangements in compliance with Rule 205-3 under the Investment Advisers Act of 1940 ("Advisers Act"), usually based in part on the relative performance of an account when compared to an independent benchmark, but potentially on other bases as well. IIM Co. may also be compensated through fixed fee arrangements.

IIM Co.'s standard fee schedule for principal investment advisory services is the following:

**Equity:** Fees generally range from .20% to .85% based on strategy, account size and client service arrangements.

**Fixed Income:** Fees generally range from .50% to 1.00% based on strategy, account size and client service arrangements.

**Multi-Asset Strategies:** Fees generally range from .10% to 1.00% based on strategy, account size and client service arrangements.

**Wrap Services Fee:** In standard wrap fee programs, IIM Co. generally receives from .125% to 1.00% in annual compensation, depending on the program sponsor, type of account (i.e., fixed income, equity or balanced portfolio), the level of support services provided by the program sponsor, and the size of clients' assets in the specific program. A condition of some wrap fee programs is that transactions for clients' accounts are executed by the sponsor of the wrap fee program (or its affiliate). Where IIM Co. contracts directly with the wrap sponsor to provide investment advisory services, the wrap sponsor typically authorizes any payment of IIM Co.'s fees. Where

IIM Co. contracts directly with the client to provide investment advisory services, IIM Co. typically instructs the client's custodian to forward payment of IIM Co.'s advisory fees on behalf of the client.

**Mutual Funds, UCITS Funds, and Other Funds:** The fees for mutual funds, private funds, commingled funds and other funds or accounts are set forth more fully in the particular fund's prospectus or other applicable offering documents or in the account's investment advisory agreement. More complete information concerning each such registered fund, including advisory and sub-advisory fees, is disclosed in the prospectus and statement of additional information of these affiliated and unaffiliated funds. For its services as a sub-adviser to registered investment companies and UCITS funds, IIM Co. receives a sub-advisory fee as set forth in the prospectuses and/or other for the respective investment companies and UCITS funds.

### **NEGOTIATION OF FEES AND OTHER UNIQUE ARRANGEMENTS**

Fees and account minimums are subject to negotiation. In some cases, certain clients may pay lower fees or have other unique arrangements. For example, investors providing large or initial investments in a fund, investors with multiple business relationships with ING entities and/or ING employees may have specially tailored arrangements with IIM Co. with respect to their investment in a fund. These arrangements are entered into only where the fund will not be harmed and IIM Co. determines that it can continue to meet its fiduciary duties.

IIM Co. may also receive fees or reimbursement from individuals or financial institutions, including affiliates, for various services or publications it provides.

### **TERMINATION OF ADVISORY AGREEMENTS**

Investment advisory agreements between IIM Co. and the client may generally be terminated by either party, pursuant to the notice requirements specified in the investment management agreement which is generally equal to thirty days or less. In the event of termination, IIM Co. is typically entitled to the prorated portion of the earned fee, generally inclusive of any notice period. Refunds will not typically apply as fees are generally paid in arrears, based on the size of the account on the last day of the preceding quarter. The billing for each period in general will be adjusted for additional significant contributions or withdrawals.

### **VALUATION AND PRICING**

Unless provided for otherwise in the investment advisory agreement, standard pricing services and/or methodologies generally are used to determine the market value of the account. In this regard, IIM Co. often uses and relies on various services from external vendors for information such as pricing, ratings, type of security (e.g., Rule 144A) and other relevant factors. While these vendors are generally reliable, from time to time the information they provide may be inaccurate or stale; this may impact the pricing or categorization of client portfolio holdings.

IIM Co. may invest in securities or instruments on behalf of its clients that have no trading market or are otherwise difficult to value, in which case IIM Co. may need to determine a price for a portfolio holding using "fair value" pricing methodologies.

In these situations, IIM Co. will elicit input from a number of external or internal sources (e.g., "matrix pricing" or other pricing services, portfolio managers, finance, etc.) and determine what it believes to be a representative or "fair" price for the holding. For some investments there may be only one counterparty or broker that can provide a reliable price quotation. For these types of securities, IIM Co. may determine which counterparty or broker it believes will provide the most reliable price quotations. These determinations may involve a significant amount of judgment and in some cases may differ substantially from prices that are ultimately realized in a transaction. In addition, where different accounts or funds are governed by different pricing policies and/or have different custodians, it is possible that the same security or instrument could be assigned different valuations.

### **COMPENSATION FOR THE SALE OF SECURITIES AND INVESTMENT PRODUCTS**

Personnel of IIM Co. may also be registered representatives of ING Investment Distributors, LLC, an affiliated broker-dealer. These registered representatives may receive compensation in connection with the sale of registered investment companies managed by IIM Co. or its affiliates; these fees typically do not offset advisory fees. In addition, personnel of IIM Co. may receive compensation pursuant to solicitation or similar arrangements that IIM Co. has with affiliated or unaffiliated advisers.

Where an individual receives compensation of this nature, there may be a conflict of interest because he or she has an incentive to recommend a product based on potential revenues rather than the client's needs. In the case of solicitation arrangements with other advisers, clients typically receive disclosure regarding the arrangement or the affiliation between the entities. In the case of registered investment companies, FINRA suitability and other rules generally govern the sales activities.

### **ITEM 6**

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

### **PERFORMANCE-BASED FEES**

IIM Co. may be compensated under performance-based fee arrangements in compliance with Rule 205-3 under the Investment Advisers Act of 1940 ("Advisers Act"), usually based in part on the relative performance of an account when compared to an independent benchmark, but potentially on other bases as well. Such fees are subject to individualized negotiation with each such client. Portfolio managers of IIM Co. may manage accounts with performance-based fee arrangements and accounts that do not have such an arrangement. The potential conflicts of interest in these situations could, in theory, incent a manager to favor certain funds or accounts over others with respect to allocations and/or trading activities. However, in order to monitor and address these potential conflicts, IIM Co. has implemented various processes and procedures, including allocation policies. These processes and procedures are designed to ensure that all funds and accounts are treated fairly, that any short sales are conducted in an appropriate manner, and that allocations of offerings or investment opportunities among funds and accounts are equitable.



## ALLOCATIONS AND RELATED MATTERS

Although IIM Co. seeks to allocate investment opportunities in a manner that it believes to be in the best interest of all its funds and accounts, there can be no assurance that a particular investment opportunity will be allocated in any particular manner. Among the factors that can impact allocation and investment decisions across funds or accounts are differing investment strategies and objectives, account restrictions, risk parameters, cash flows, liquidity needs, tax considerations and other factors. In general, allocations of initial public offerings (“IPOs”) are made on the basis of pre-established criteria across those eligible accounts or funds seeking to purchase the securities and for which the securities are appropriate and suitable.

IIM Co. may, but is not obligated to, combine or aggregate purchase or sale orders for the same security for various funds and clients, including clients of ING Investment Trust Co., other affiliates or clients and affiliated or unaffiliated funds for which the IIM Co. trading desk provides trading support services, in an effort to seek more favorable execution or lower commission costs. Because some of IIM Co.’s shared employees provide portfolio management services to affiliates’ funds or client accounts, the affiliates’ funds and accounts may be included in the same block trades with IIM Co.’s funds or accounts. Nonetheless, the shared employees are required to treat all accounts in a fair and equitable manner with respect to the block trade allocation. When transactions are aggregated, it is the general policy of IIM Co. that no advisory account, including any proprietary account, will be favored over any other account.

## SIDE-BY-SIDE TRADING

Portfolio managers of IIM Co. or its affiliates may manage proprietary accounts and private funds, as well as other accounts or funds that follow essentially a “long-short” strategy. In these situations, there may be a number of potential conflicts of interest as a result of various factors, including that: (i) IIM Co. and/or its affiliates and the portfolio managers may have substantial investments in the proprietary accounts or private funds; (ii) the management fee for a private fund may be higher than for other products and funds; and (iii) IIM Co. or its affiliates will also typically receive an incentive fee from the private funds based on their performance. Further, the proprietary accounts and private funds will often have significantly greater flexibility in investment guidelines, selling securities short, incurring leverage and using derivatives. In addition, the investment mandates and investment guidelines for the various funds and accounts may differ significantly. For example, many “long only” accounts may have an investment mandate to be fully invested, whereas the investment guidelines for a proprietary account or private fund are generally far more flexible. Finally, IIM Co. does not devote its full time to the management of any account and devotes such time and attention to any account as it, in its sole discretion, deems necessary for the management of such account.

As with performance fees, the potential conflicts of interest in these situations could, in theory, incent a manager to favor certain funds or accounts over others with respect to allocations and/or trading activities. However, in order to monitor and address these potential conflicts, IIM Co. and its affiliates have implemented various processes and procedures, including a

Conflicts Committee. These processes and procedures are designed to ensure that all funds and accounts are treated fairly, that any short sales are conducted in an appropriate manner, and that allocations of offerings or investment opportunities among funds and accounts are equitable.

## ITEM 7

### Types of Clients

IIM Co. provides investment management services to a wide range of clients and funds, including individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds, commingled trust funds, trust programs, sovereign funds, foreign funds such as UCITS and SICAVs, and other U.S. and international institutions.

IIM Co. provides advisory services for individual institutional client portfolios under a variety of investment styles. Generally, the minimum size for opening and maintaining separately managed institutional equity and fixed income portfolios ranges from \$25 million to \$100 million depending upon the specific investment strategy.

Common and collective (pooled) structures maintained by ING Investment Trust Co., a subsidiary of IIM Co., may be available to certain accounts that do not meet the minimum asset size required by IIM Co. for a separately managed account or that otherwise desire to invest in these structures. IIM Co. reserves the right to waive any such minimums in its sole discretion.

## ITEM 8

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

With an emphasis on active management, our investment mission is to find unrecognized value ahead of consensus. To this end, our portfolio management teams seek original insights on markets and securities and a vision of investment potential that differs from the consensus view. We apply our proprietary research and analytics, global resources, portfolio diagnostics and risk management to the development of investment products and solutions in pursuit of our clients’ objectives. For clients and funds seeking more quantitative or model-driven solutions, we seek to bring technical and analytical expertise in developing rigorous and superior solutions.

## EQUITY

Our equity disciplines are organized as a series of discrete competencies managed by specialist teams and supported by centralized quantitative and sector-specific fundamental research. We believe that fundamental analysis by seasoned sector analysts adds value by creating a proprietary information advantage to develop original insights into the pricing of securities and expectations for companies and asset classes. Collaboration between our experienced analysts and the dedicated investment teams provides a constant exchange of investment ideas and information that are used to benefit our clients through a more insightful decision-making process.

## **FIXED INCOME**

IIM Co. believes that a disciplined investment process with macro-theme analysis built into every step will capture market changes and guide us to unrecognized value opportunities ahead of consensus. To harness the potential of our global resources, far-reaching and well integrated information sharing is necessary to fully exploit market potential and generate superior returns. The investment process includes a balanced emphasis on quantitative and qualitative inputs that foster strong checks and balances and validation for our investment themes. Topdown macro themes shape overall strategy and also provide the context for our bottom up security selection. Proprietary risk management tools and processes help to monitor portfolio risk exposures.

## **MULTI-ASSET STRATEGIES & SOLUTIONS (“MASS”)**

IIM Co. manages multi-asset portfolios from target date retirement funds and total plan discretionary asset management programs, to complex portfolios aimed at improving the correlation of assets to liabilities in a variety of strategies to match plan sponsors’ circumstances and constraints.

## **PORTABLE ALPHA**

For portable alpha solutions, the MASS Group utilizes state-of-the-art mathematical modeling and computer simulations to make trading, hedging and risk management decisions. In addition to computational power, our work requires experience and facility with financial derivatives, such as futures, forwards and swaps, used to gain or eliminate exposure (or “beta”) to an asset class or market cheaply and efficiently. The MASS Group takes the concepts of global diversification and financial engineering to the limits of current technology: it seeks to separate the alpha from the beta return components of investment products managed around the globe and then re-assemble them into well diversified multi-strategy portfolios with the goal of delivering the precise mix of manager alpha and market beta that institutional clients seek.

## **LIABILITY DRIVEN INVESTING**

The MASS Group offers extensive pension diagnostic capabilities and solutions that address the challenges and obligations facing sponsors of defined benefit plans today. Through the creation of a liability benchmark portfolio comprised of interest rate swaps or futures, IIM Co. can closely match the interest rate sensitivity and other characteristics of the pension liability. By combining such a liability matching fixed income solution with a portable alpha strategy, IIM Co. seeks to produce the higher expected returns needed to reduce long-term costs while providing a higher correlation of assets to liabilities to reduce short-term volatility.

## **DISCRETIONARY ASSET MANAGEMENT (“DAM”)**

IIM Co.’s robust pension analytics and asset liability modeling techniques help us design and implement asset allocations aimed at reducing surplus volatility and funding costs. DAM invests across multiple asset classes including domestic and international equities, intermediate and long duration fixed income, as well as other specialty asset classes for suitable investors.

## **CASH MANAGEMENT**

Where permitted by applicable law and appropriate disclosure is made, IIM Co. may use affiliated investment companies or other investment vehicles—such as the ING Funds—as cash “sweep” vehicles for client accounts or other funds. Unless otherwise provided in the applicable documents, IIM Co. typically offsets the management fees on the assets invested under the “sweep” program so as to avoid double-charging.

## **RISKS**

Investing in securities involves risk of loss that clients should be prepared to bear. Set forth below are the key investment risks associated with IIM Co.’s significant investment strategies and methods of analysis as well as with many of the investment techniques or instruments that may be used. Any of the following risks, among others, could affect performance or cause an investment to lose money or to underperform market averages.

### **GENERAL INVESTMENT RISKS**

**Company.** The price of a given company’s stock could decline or underperform for many reasons including, among others, poor management, financial problems, or business challenges. If a company declares bankruptcy or becomes insolvent, its stock could become worthless.

**Convertible Securities.** Convertible securities are securities that are convertible into or exercisable for common stock at a stated price or rate. Convertible securities are subject to the usual risks associated with debt securities, such as interest rate and credit risk. In addition, because convertible securities react to changes in the value of the stocks into which they convert, they are subject to market risk.

**Currency.** To the extent that a client invests directly in foreign currencies or in securities denominated in or that trade in foreign (non-U.S.) currencies, it is subject to the risk that those currencies will decline in value relative to the U.S. dollar or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged.

**Derivative Instruments.** Derivative instruments are subject to a number of risks, including the risk of changes in the market price of the underlying securities, credit risk with respect to the counterparty, risk of loss due to changes in interest rates and liquidity risk. The use of certain derivatives may also have a leveraging effect which may increase volatility and reduce returns.

**Foreign Investments.** Investing in foreign (non-U.S.) securities may result in more rapid and extreme changes in value than an investment exclusively in securities of U.S. companies due to smaller markets, differing reporting, accounting and auditing standards, and nationalization, expropriation or confiscatory taxation, foreign currency fluctuations, currency blockage, or political changes or diplomatic developments.

**Liquidity.** If a security is illiquid, IIM Co. might be unable to sell the security at a time when desired, and the security could have the effect of decreasing the overall level of a fund’s liquidity. Further, the lack of an established secondary market may make



it more difficult to value illiquid securities, which could vary from the amount realized upon disposition. IIM Co. may make investments that become less liquid in response to market developments or adverse investor perception. A client could lose money if it cannot sell a security at the time and price that would be most beneficial to it.

**Market.** Stock prices are volatile and are affected by the real or perceived impacts of such factors as economic conditions and political events. The stock market tends to be cyclical, with periods when stock prices generally rise and periods when stock prices generally decline. Any given stock market segment may remain out of favor with investors for a short or long period of time, and stocks as an asset class may underperform bonds or other asset classes during some periods.

**Market Capitalization.** Stocks fall into three broad market capitalization categories—large, mid and small. Investing primarily in one category carries the risk that, due to current market conditions, that category may be out of favor with investors. If valuations of large-capitalization companies appear to be greatly out of proportion to the valuations of mid- or small-capitalization companies, investors may migrate to the stock of mid- and small-sized companies causing an investment in these companies to increase in value more rapidly than an investment in larger, fully-valued companies. Investing in mid- and small-capitalization companies may be subject to special risks associated with narrower product lines, more limited financial resources, smaller management groups, and a more limited trading market for their stock as compared with larger companies. As a result, stock of mid- and small-capitalization companies may decline significantly in market downturns.

**Securities Lending.** Securities lending involves two primary risks: “investment risk” and “borrower default risk.” Investment risk is the risk of loss of the cash collateral received from the borrower. Borrower default risk is the risk that an investment will lose money due to the failure of a borrower to return a borrowed security in a timely manner

## INVESTMENT STRATEGY RISKS

In addition to the risks involved with various instruments and markets noted above, various investment strategies also may entail unique risks. Several of these are set forth below. In all cases, a client should review applicable offering documents and/or other materials, which will generally have more detailed information about relevant risks.

**Equities.** Many of our investment strategies focus mainly or in part on equities. Equities can be of various types, such as common stock or preferred stock, and generally are subject to market, company-specific and liquidity risks.

**Fixed Income.** Many of our investment strategies focus mainly or in part on fixed income securities, which can include a wide array of debt instruments, including investment grade debt, government securities, corporate debt, money market instruments, mortgage-backed securities, non-investment grade (or “high yield”) debt, and others. To varying degrees—and depending on the particular instruments—fixed income

securities are subject to interest rate, credit and liquidity risks, among others.

**Quantitative Strategies.** A number of our strategies are quantitative based, meaning that they employ mathematical or analytical tools in determining portfolio decisions. These strategies may involve the risk of software being inaccurately programmed or flaws in the applicable model or analysis.

**Senior Loans.** Senior loans involve investments in subordinated loans of various companies. These loans are typically secured by assets of the company. This strategy involves company-specific credit risk as well as interest rate risk. This market may also confront liquidity challenges from time to time, depending on the loans involved.

**Mortgage-Backed Securities.** A number of our strategies employ mortgage-backed securities, which are securities that directly or indirectly hold pools of residential or commercial mortgages. In addition to interest rate and credit risk, these instruments also involve prepayment risk, which is the risk that borrowers prepay their mortgages faster or slower than anticipated.

**High-Yield Securities.** Investments rated below investment grade (or of similar quality if unrated) are known as “high-yield securities” or “junk bonds.” High-yield securities are subject to greater levels of credit and liquidity risks. High-yield securities are considered primarily speculative with respect to the issuer’s continuing ability to make principal and interest payments.

**Emerging Markets.** IIM Co. has a number of funds or accounts that invest in emerging market debt or equity. These markets are often in developing countries and tend to be more volatile and risky than more established trading markets. In addition, the instruments and investments of emerging markets often carry higher credit and/or company risks.

**Real Estate.** Various IIM Co. strategies concentrate in real estate investments and may employ sub-advisers. Real estate markets tend to be less liquid than other markets and also tend to have more subjectivity in valuation. In addition, real estate investments can be especially prone to regional or general economic cycles.

## ITEM 9

### Disciplinary Information

As part of a large, global financial services company, IIM Co.’s affiliates may be involved in disciplinary, regulatory or other legal matters from time to time, as well as being subject to examinations, investigations and inquiries from governmental and regulatory authorities. Neither IIM Co. nor its management has been involved in any legal or disciplinary events in the past ten years that would be material to a client’s evaluation of IIM Co. or the integrity of IIM Co.’s management.

For more information on disciplinary and legal matters that may involve IIM Co. or certain of its related companies, see Item 11 of IIM Co.’s Form ADV-Part 1, available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 10

# Other Financial Industry Activities and Affiliations

IIM Co. is part of a large, global financial services company and, as such, has relationships and affiliations with many other entities engaged in the financial industry. IIM Co.'s ownership structure is explained more fully in Item 4. Aside from being registered as an investment adviser with the SEC, IIM Co. may also determine to register in various non-U.S. jurisdictions depending on business needs and regulatory requirements. In addition, IIM Co. is registered with the Commodity Futures Trading Commission as a commodity trading advisor and commodity pool operator.

### SUB-ADVISER AND OTHER SERVICES

IIM Co. may engage in sub-advising, marketing, consulting, product development or other initiatives on behalf of insurance company affiliates of ING Groep N.V. In addition, IIM Co. acts as adviser, consultant, or sub-adviser to many affiliated registered investment companies advised by ING Investments LLC, generally known as the "ING Funds", as well as sub-adviser to unaffiliated registered investment companies; IIM Co. also acts as sub-adviser to certain affiliated non-U.S. registered funds. More complete information concerning each such investment company or fund is set forth in the fund's respective prospectus and statement of additional information, or other applicable offering documents. IIM Co. is responsible for marketing, operational, trading and account servicing for certain products of its affiliates which include, among others, registered investment advisers and broker-dealers.

### AFFILIATED INVESTMENT ADVISERS AND BROKER-DEALERS

Within the global ING Investment Management business unit, IIM Co. is affiliated with a number of registered and unregistered investment advisers, sharing officers and other personnel.

Within the ING Investment Management business unit, IIM Co. has affiliated broker-dealers, most notably ING Investment Distributors LLC ("IID"), which acts as the distributor for the ING Funds and also may serve as the placement agent for various private funds. A number of employees of IIM Co. are registered representatives of IID and therefore are licensed to sell securities for separate commission compensation.

In general, IIM Co. does *not* execute client transactions through IID or other affiliated broker-dealers, although it may determine to do so in the future where permitted by applicable laws and regulations. Execution of transactions through an affiliated broker-dealer can result in a conflict of interest, in that the affiliate may profit from such commissions or other fees on such transactions; these transactions are governed by regulations and disclosure requirements designed to inform clients of the potential conflicts of interest and reduce their potential impact.

### EMPLOYEE SHARING AND OFFICE SHARING

Through employee-sharing and referral arrangements IIM Co. has established with affiliates, IIM Co. provides various products and services to its advisory clients as well as clients of ING Investment Trust Co., one of its subsidiaries. Such affiliates include U.S.

as well as non-U.S. registered and non-registered investment advisers, broker-dealers and other financial services providers. The affiliates may direct transactions for client portfolios from outside the U.S. and advise various types of private, non-registered funds and structured products for clients. IIM Co. may share office space, staff and other resources with any of its affiliates. In addition, IIM Co. may provide or receive investment advice or engage in subadvisory, marketing, product development or other initiatives with affiliates or unaffiliated entities. Most notably, IIM Co. has entered into servicing, solicitation and employee-sharing agreements with affiliated advisers relating to portfolio management, trading and operational support. For example, in certain cases, the trading desk of IIM Co. or an affiliate may handle orders for multiple affiliated advisers across multiple locations, including outside of the U.S. Likewise, trading desks of affiliates including some located outside of the U.S. may handle orders for IIM Co. In addition, IIM Co.'s trading desk may contract to provide trading, research and other support services to unaffiliated entities. In arrangements with affiliates, the amount of revenue shared varies depending upon the nature of the services provided by each entity.

Allocation and similar investment and trading decisions, including those on behalf of the ING Funds and clients of affiliated entities, are made in a manner consistent with applicable policies designed to treat all clients fairly over time and under the circumstances.

IIM Co. has solicitation arrangements in place with many of its affiliates, many of which are investment advisers and broker-dealers. Under these arrangements, the client does not pay higher fees than each adviser's typical advisory fees. In these relationships, IIM Co. generally shares revenue or otherwise pays or receives compensation directly to or from its affiliated entities, depending on the nature of the services involved.

Where permitted by applicable law and appropriate disclosure is made, IIM Co. may use affiliated investment companies or other investment vehicles such as the ING Funds as cash "sweep" vehicles for client accounts or other funds. Unless otherwise provided in the applicable documents, IIM Co. typically offsets the management fees on the assets invested under the "sweep" program so as to avoid double-charging.

### ING INVESTMENT TRUST CO.

IIM Co. is the parent company of ING Investment Trust Co., a limited purpose Connecticut chartered trust company that serves as trustee for various commingled funds for investors as an alternative to IIM Co.'s separately managed individual advisory accounts. ING Investment Trust Co. further provides trustee, administrative and other fiduciary services to retirement plans requiring or otherwise utilizing a trustee or custodian. ING Investment Trust Co. was established as a state bank and trust company whose powers are limited to those fiduciary powers granted to state bank and trust companies under Connecticut law. ING Investment Trust Co. is not authorized to accept deposits or make loans.

Certain products and strategies managed by IIM Co. may use the collective and common trust funds of ING Investment Trust

Co. as investment vehicles for asset allocation products, such as Portable Alpha and Discretionary Asset Management.

To the extent consistent with applicable securities and other industry rules and regulations, IIM Co. or its affiliates (including their employees) may act as broker-dealer, investment adviser or investment manager on behalf of themselves or others, may execute trades, manage funds or capital for themselves or for others, may have, make and maintain investments in their own name or through other entities, and may serve as a consultant, partner or stockholder of one or more investment funds, partnerships, securities firms, advisory firms or companies in which IIM Co., its affiliates (including employees) or their customers have invested. IIM Co. or its affiliates may give advice and take action with respect to their own investments which may involve the same or similar investments, or alternatively, may differ from the advice, timing or nature of action taken with respect to other clients.

#### **MUTUAL FUNDS AND OTHER FUNDS**

IIM Co., through a common ultimate parent, is affiliated with advisers to several investment companies. IIM Co. is a sub-adviser and/or portfolio manager to certain investment companies advised by the affiliated advisers. IIM Co. may recommend funds advised by it or these affiliates, and registered representatives affiliated with IIM Co. may sell these funds to clients. In general, IIM Co. will not, pursuant to its investment discretionary authority, purchase shares in any mutual fund to which it acts as portfolio manager, except with client consent and where permitted by applicable law. In such a case, the advisory fee charged by IIM Co. or its affiliates is generally waived on either the fund or advisory side, unless otherwise permitted by the client or applicable law.

IIM Co., its subsidiaries and affiliates act as the general partner, managing member, investor, or collateral manager of certain funds and investment vehicles which may be recommended to advisory clients. While IIM Co., its subsidiaries and affiliates may be deemed to solicit investors for these funds, IIM Co., its subsidiaries and affiliates generally do not exercise investment discretion for the investors with respect to their decision whether to invest in the funds (except in connection with asset allocation programs). Rather, such institutions, fiduciaries, or investors generally make their own independent investment decision as to whether to participate as an investor and commit assets to the funds.

Where appropriate, a portfolio manager may solicit an advisory client of IIM Co. to invest in a fund in which a related person of IIM Co. is the General Partner, managing member or adviser. Also, some of these funds may be considered proprietary accounts of IIM Co. or an affiliate because these entities, including officers and directors of the funds, may have invested in each of these funds.

ING Alternative Asset Management LLC ("IAAM"), an affiliate of IIM Co., is the General Partner or managing member of several private investment funds in which advisory clients of IIM Co. may invest. Detailed information relating to IAAM and its activities may be found in its Form ADV.

Pomona Management LLC, an affiliate of IIM Co., manages several private equity funds of funds in which clients of IIM Co. or its affiliates may invest. Detailed information relating to Pomona Management LLC and its activities may be found in its Form ADV.

#### **ITEM 11**

### **Code of Ethics**

#### **OVERVIEW**

IIM Co. has implemented a Code of Ethics ("Code"). The Code is designed to prohibit personnel from engaging in personal investment activities which compete with or attempt to take advantage of planned portfolio transactions. Subject to certain exceptions consistent with industry requirements (e.g., U.S. government securities, open-end investment companies, *de minimis* trades in equity securities issued by S&P 500 companies, etc.), the Code requires IIM Co. employees to receive pre-clearance from the ING Compliance Department before entering personal securities orders, provide duplicate brokerage statements and confirmations for personal trading accounts, regularly report securities transactions and holdings, and certify annually in writing regarding compliance with the Code. Subject to certain exceptions, the Code also establishes minimum holding periods before employees may profit from transactions (purchase and sale or sale and purchase) in the same or related securities. The Code further prohibits employees from purchasing IPOs. Transactions in privately placed securities are permitted under the Code with IIM Co. Compliance and supervisory approval, subject to the requirements detailed above.

IIM Co. employees must pre-clear personal securities transactions prior to effecting such transactions, subject to the limitations of the pre-clearance requirement under the Code. Some shared employees may pre-clear with one or more of the ING firms with which they are employed in accordance with a predetermined policy. Also, subject to the same limitations, employees must submit on a quarterly basis, a summary of their personal securities transactions and a list of their personal securities holdings on an annual basis. IIM Co. employees are prohibited from using the influence of their position to obtain a personal trading advantage. Employees of IIM Co. may be restricted from purchasing or selling a security where it is determined that such security is appropriate for an IIM Co. client account or fund until such client account or fund has had an opportunity to make such transaction.

A copy of the Code is available to clients upon request.

#### **REGULATORY RESTRICTIONS**

The ability of IIM Co. or its affiliates to effect and/or recommend certain transactions may be restricted by applicable regulatory requirements in the United States and/or other countries or jurisdictions. In particular, activities of IIM Co.'s affiliates involving investment banking and other financial services may impose limitations on the advice or recommendations IIM Co. or its affiliates may give. Further, in situations where an affiliate of IIM Co. is involved in an underwriting or distribution of a company's securities, IIM Co. or its affiliates may be precluded from purchasing or recommending the purchase of certain securities of the company for clients.

## **PRINCIPAL TRANSACTIONS**

In general, IIM Co. will not, acting as principal, buy securities from or sell securities to advisory clients. However, IIM Co. reserves the right to engage in such principal transactions where conducted in accordance with Section 206(3) of the Advisers Act and other applicable legal, regulatory and contractual provisions.

## **CROSS-TRADES**

In certain situations, where in the interests of clients or funds and permitted by the relevant client or fund documents, IIM Co. may direct one client account or fund to purchase or sell an investment from or to another client account or fund. For example, onshore and offshore funds following similar investment strategies may need to “rebalance” their portfolios periodically. These “cross trade” transactions will be done only where the portfolio manager can obtain best execution.

## **TRADING BY IIM CO., AFFILIATES AND EMPLOYEES**

IIM Co. or its affiliates may give advice and take action with respect to their own investments which may involve the same or similar investments, or alternatively may differ from the advice, timing or nature of action taken with respect to other clients.

IIM Co., its affiliates and/or its or their employees may in some cases personally invest in the same securities that are purchased for or recommended to clients, or they may own securities of issuers that are subsequently purchased for or recommended to clients. It is possible that IIM Co. may purchase or recommend publicly issued securities of the same issuers for its clients which its employees, or employees of affiliates, may have previously acquired through a private, non-public transaction. From time to time, conditions may arise in which shares may be purchased or sold for clients that are already owned by the principals or employees of a broker-dealer affiliate. In general, no security may be bought or sold by a person associated with IIM Co. before IIM Co.’s clients’ accounts, for whom the transaction is deemed appropriate and advisable, have had the opportunity to make such transactions.

Because of the size of the firm, there may be numerous proprietary, employee and employee-related accounts with varying differences and considerations such as liquidity needs, realized and unrealized gains and losses, other tax consequences and differing assessments of market conditions; thus investment decisions for some proprietary, employee and employee-related accounts may not always be consistent with decisions made for clients or funds. For the same reasons, investment decisions made on behalf of one client or fund may not always be consistent with investment decisions made on behalf of another client or fund.

IIM Co. manages many funds, accounts and other investment vehicles. IIM Co. and/or its affiliates may have an economic interest in various accounts. Accounts, funds and other persons advised by IIM Co. may have different investment objectives or considerations. Decisions as to purchases and sales for each fund or account are made separately and independently in light of their respective objectives and purposes and may differ, depending on the fund or account.

## **COMPLIANCE POLICIES AND PROCEDURES**

In order to monitor and address any potential conflicts of interest, IIM Co. has implemented various processes and procedures, including policies governing trading and allocations, as well as a Conflicts Committee. These processes and procedures are designed to ensure that all funds and accounts are treated fairly, and that allocations of offerings or investment opportunities among funds and accounts are equitable.

IIM Co.’s internal procedures are structured so that, under most circumstances, when the trades of persons associated with IIM Co. are executed in the same securities purchased for or recommended to client accounts, they will receive an execution price that is no more favorable than their clients. Exceptions may be made for transactions arising from arbitrage, market making activities, and transactions executed through other firms.

IIM Co. has numerous other policies designed to address various potential conflicts of interest, such as receipt of gifts or entertainment, personal trading, and others.

## **PROCEDURES GOVERNING MATERIAL, NON-PUBLIC INFORMATION**

In the course of its business, IIM Co., its affiliates and their respective employees may come into possession of material, nonpublic information. IIM Co. and affiliates have adopted written “Information Barrier” procedures to prevent the use of material non-public information for trading and investment decisions and to minimize any conflict of interest which might otherwise result from such circumstances. Such procedures may require that IIM Co. and/or its employees be restricted from engaging in transactions in certain securities until such time as IIM Co. is no longer restricted. For legal, regulatory and other reasons, IIM Co. may determine to restrict investments in securities or instruments of companies in which a client or an employee of IIM Co. is an officer or director or with which such person has other material relationships, or where other potential conflicts of interest are present.

## **ERROR CORRECTION PROCEDURES**

On occasion, an error may be made in a fund or client account. For example, a security may be erroneously purchased for the account instead of sold or the amount of the transaction may be mistaken. Alternatively, a transaction processing error might occur. In these situations, IIM Co. generally seeks to rectify the error by placing the fund or client account in a similar position as it would have been had there been no error. Depending on the circumstances and subject to applicable legal and contractual requirements, various corrective steps may be taken, including among others canceling the trade, correcting an allocation, netting amounts of gains and losses, or taking the trade into a firm error account (which may include positive and negative trading errors) and reimbursing the client account.

## **PRIVACY POLICY**

We at IIM Co. are fully committed to protecting the privacy of our clients. Keeping client and customer information secure is a top priority for all of us at our company and we want to be straightforward about our information practices. Set forth below is our privacy policy:



## 1. What information may be collected? How could it be used?

We generally collect and use information about clients and customers in order to deliver quality service to them. Information may be obtained through applications, new account or other forms submitted directly to us or through unaffiliated third parties, transactions with us or our affiliates and meetings between clients and our employees, such as portfolio and/or account managers. This information might include a client's name, address, social security number, assets, income, credit and investment history or other personal information. We collect this information in order to advise clients and customers about our products, services and other opportunities, and to operate our business.

## 2. Will any of the collected information be disclosed to others?

Other than as required or permitted by law, we will not reveal client or former client information to any unaffiliated third parties unless we have previously informed the client or customer in agreements, have provided disclosure to the client or customer (with the opportunity to "opt-out"), or have otherwise been authorized by the client or customer. Client and former client information may be shared with our affiliates as necessary to administer, service or otherwise maintain accounts and generally as permitted by law. The types of persons to whom such information may be disclosed include the employees of IIM Co. and its related legal entities, agents, sub-advisors, and authorized representatives.

## 3. How is the collected information protected?

We have several internal controls in place to protect the collected information. We consider the information confidential and proprietary, and as such we restrict access to such information.

## 4. Will this policy change in the future?

The policy we have presented here is current as of the date of this brochure, but as circumstances or legal requirements change, IIM Co. may need to amend this policy.

### ITEM 12

## Brokerage Practices

### FACTORS IN SELECTING BROKER-DEALERS AND COUNTERPARTIES

IIM Co. generally has the authority and responsibility of selecting broker-dealers to effect transactions for accounts and negotiating commissions and other transaction costs.

It is the policy of IIM Co. to seek to obtain best execution for portfolio transactions. In seeking best execution, IIM Co. considers a number of factors in selecting broker-dealers or counterparties, including:

- Commission and/or transaction cost
- Execution capability
- Financial condition and responsibility
- Quality and reliability of brokerage and execution services
- Willingness to commit capital
- Research and other investment information or services

### BROKERAGE AND RESEARCH SERVICES ("SOFT DOLLAR

### SERVICES")

IIM Co. currently receives a variety of brokerage and research services ("soft dollar services") from various firms, including third parties which provide research or services by or through brokerage firms, that are paid for by the use of clients' commissions ("soft dollars") for the execution by such brokerage firms of securities transactions for client accounts. In some cases, clients may pay higher commission rates than those that would be charged by broker-dealers not providing research or other services. By obtaining soft dollar services, IIM Co. may benefit by not having to produce or pay for these research, products or services; in addition, IIM Co. may have an incentive to select or recommend a broker-dealer based on receiving research or other services.

IIM Co. has established client commission arrangements—sometimes called "commission sharing arrangements"—with a number of broker-dealers, whereby a broker-dealer will aggregate commission credits that are used to obtain research and/or brokerage services from a number of providers. In other situations, where a broker-dealer provides brokerage or other research services to IIM Co., IIM Co. may "step out" (i.e., direct) a portion of a transaction from another executing broker-dealer to the broker-dealer for clearance and settlement.

The research and brokerage services provided to IIM Co. are designed to augment IIM Co.'s own internal research and investment management capabilities and may include a wide variety of analyses, reviews, tables, data bases, and reports on such matters such as economic and political strategy. Such services may also include research reports on companies, industries, securities, economics and politics; economic and financial data; portfolio and performance analyses; specialized publications and news sources; earnings forecasts; computer databases; quotation services; trading-related services and software; and research-oriented computer software and other services. There may be occasions where the transaction cost charged by a broker-dealer may be greater than that which another broker-dealer might have charged if IIM Co. determines in its good faith judgment that the amount of such transaction cost is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer. IIM Co. considers the quality and quantity of the brokerage and research services received along with the nature and difficulty of specific transactions in seeking best execution. Also considered are the costs of such brokerage and research services and an analysis of which services assist IIM Co. in fulfilling its overall investment responsibilities to all its clients and which are in the long term best interests of its clients as described in Section 28(e) of the Securities Exchange Act of 1934. In situations where these services are used to assist in the investment decision and trade execution processes, soft dollars may be used to pay for the entire cost of these services.

The research and/or brokerage services provided may be used for some or all client accounts managed by IIM Co., not just those accounts whose commissions were used to acquire the research products and services, and may include client accounts of ING Investment Trust Co. Accordingly, the accounts (including accounts of ING Investment Trust Co.) which provide

the brokerage transaction charges for which such services are provided, may not necessarily receive any or all direct benefit of the services. IIM Co. periodically monitors the research services received and the brokerage services provided.

In its discretion, IIM Co. does not obligate itself to seek the lowest commission cost on each individual transaction and may cause a client to pay commission costs which may exceed the cost typically charged by the executing broker-dealer or another broker-dealer. This may occur when IIM Co. determines in good faith that the commission costs are reasonable in relation to the research and/or brokerage services provided by the broker-dealer.

As a general matter, IIM Co. does not consider referrals from or sales by a broker-dealer in making brokerage decisions. However, where permitted by applicable law and where appropriately disclosed to clients, IIM Co. could determine to do so in the future; such a practice would pose a conflict of interest in that brokerage decisions could be influenced by referrals as opposed to the most advantageous execution.

### **"MIXED-USE" PRODUCTS AND SERVICES**

On occasion, the soft dollar services may serve additional functions that are not related to the investment decision making or trade execution processes. Where a soft dollar service has such a "mixed-use," IIM Co. makes a good-faith effort to reasonably allocate anticipated use of the soft dollar services to its research/brokerage and non-research/non-brokerage components. Generally, IIM Co. utilizes a percentage-of-time-used, number-of users, or similar methodology which apportions the percentage of the research-based or brokerage-based cost of the soft dollar service to commissions, and the percentage of the non-research based/non-brokerage-based cost to payment by IIM Co. out of its own funds. Although IIM Co. makes a good-faith judgment on allocation of mixed-use services/products, it should be noted that the allocation process and resulting determination poses a potential conflict of interest between IIM Co. and its clients.

### **COMPLIANCE POLICIES AND PROCEDURES**

During the past fiscal year, as well as in general, the use of client commissions for soft dollar services is subject to various IIM Co. policies and procedures. These policies and procedures are designed to ensure that services obtained with commissions are used for appropriate purposes, such as assisting in the investment decision making process. These processes include pre-approval and documentation of soft dollar services, including mixed-use services. The Brokerage Committee meets regularly to review and oversee trading activities, including soft dollars services. IIM Co. periodically monitors and evaluates the performance and execution capabilities of the firms which provide research and brokerage services and also monitors the levels of commission costs in comparison to those commissions paid by other institutional investment managers.

### **DIRECTED BROKERAGE AND SIMILAR ARRANGEMENTS**

IIM Co. does not recommend, request or require that a client direct transactions to be executed through a particular broker-dealer. However, certain wrap fee programs may be established in such a manner that transactions for a client account are typically executed through the broker-dealer sponsoring the program.

In general, IIM Co. permits clients to establish directed brokerage arrangements if they desire, although IIM Co. may limit the circumstances under which it will participate in these arrangements. Where a client directs IIM Co. to execute transactions for its account through designated broker-dealers, the client is responsible for ensuring that (1) all services or rebated commissions provided by the designated broker-dealers will inure solely to the benefit of the client's account and any beneficiaries of the account, are proper and permissible expenses of the account, and may properly be provided in consideration for brokerage commissions or other remuneration paid to the designated broker-dealers, (2) using the designated broker-dealers in the manner directed is in the best interests of the client's account and any beneficiaries of the account, taking into consideration the services provided by the designated broker-dealers, (3) its directions will not conflict with any obligations persons acting for the client's account may have to the account, its beneficiaries or any third parties, and (4) persons acting for the client's account have the requisite power and authority to provide the directions on behalf of the account and have obtained all consents, approvals or authorizations that may be required under applicable law or instruments governing the account.

In such directed brokerage arrangements, the client should recognize that it may restrict or prevent IIM Co. from obtaining best execution which may cost the client more money; IIM Co. may not be able to obtain as favorable a transaction price or commission rates as might otherwise be available. Moreover, in a directed brokerage arrangement, the client may forego benefits by limiting IIM Co.'s ability to aggregate trade orders with those of other clients, thereby missing opportunities to lower commissions and/or transaction costs. Likewise, directed brokerage arrangements may also result in directed trades being executed after trades for other funds or accounts, which can result in inferior prices for that client.

Upon a client's request, IIM Co. may direct trades to minority owned and/or women-owned broker-dealers. In addition, where consistent with best execution, IIM Co. may choose to trade with these broker-dealers.

When clients mandate that a minimum or prescribed percentage or amount of trades be executed through particular broker-dealers or counterparties, the potential adverse effects must also be considered; in essence, IIM Co. considers the client's mandate or direction as a key factor in determining whether best execution has been achieved for that particular client.

Clients directing transactions to a broker may pay materially disparate commissions depending upon the commission rates of the brokerage firms they designate. Clients who, in whole or in part, direct IIM Co. to use a particular broker-dealer to execute transactions for their accounts bear full responsibility for the selection, including fees, commissions, the quality of the broker-dealer's services, and the broker-dealer's financial wherewithal. Furthermore, those clients, including wrap fee clients, may be precluded from participating in the allocation of investment opportunities including IPOs and new issues brought to IIM Co. through broker-dealers. Broker-dealers selected by clients may also refer other clients to IIM Co. or its affiliates. This could give rise to a conflict of interest or the appearance of a conflict of



interest with respect to the execution of trades. A client may have various brokerage options, including utilizing services of the referring broker-dealer, another broker-dealer the client selects, or broker-dealers generally used by IIM Co. for execution. Upon request, IIM Co. will inform these clients of broker-dealers with whom it has negotiated lower commission rates.

#### **ALLOCATIONS AND RELATED MATTERS**

IIM Co. may, but is not obligated to, combine or aggregate purchase or sale orders for the same security for various funds and clients, including clients of ING Investment Trust Co., other affiliates or clients and funds for which the IIM Co. trading desk provides trading support services, in an effort to seek more favorable execution or lower commission costs. Because some of IIM Co.'s shared employees provide portfolio management services to affiliates' funds or client accounts, the affiliates' funds and accounts may be included in the same block trades with IIM Co.'s funds or accounts. Nonetheless, the shared employees are required to treat all accounts in a fair and equitable manner with respect to the block trade allocation. When transactions are aggregated, it is the general policy of IIM Co. that no advisory account, including any proprietary account, will be favored over any other account. Funds and accounts participating in the aggregation of equity orders will generally do so at the average share price and all transaction costs will be shared on a pro rata basis. IIM Co.'s general philosophy in allocating a block trade for fixed income securities is that accounts participating in the block should receive the same average price or average spread to U.S. Treasuries. In cases where fixed income securities are traded on a spread to U.S. Treasuries basis, the net price for a security may differ for different accounts participating in the same block trade even though the spread to Treasuries for each account may be the same.

In some instances, IIM Co. may not be able to acquire the entire amount of a fixed income order from one broker-dealer/counterparty because that broker-dealer/counterparty may not be able or willing to trade in the quantity, price, or spread to U.S. Treasuries that IIM Co. desires. Thus, IIM Co. may have to effect additional trades in the same security on the same day through different broker-dealers/counterparties, in which case, aggregation of the multiple orders for different broker-dealers/counterparties is not practically possible because most trade orders for fixed-income securities are executed, or filled, as they are placed. As a result, each fixed income trade order placed with a different broker-dealer/counterparty is deemed to be a separate trade order. IIM Co. will attempt to aggregate the accounts for each such trade order according to investment objectives, mandates, benchmarks, cash flows, sector weightings, issuer exposure, custodians, or any other method deemed reasonable by IIM Co. Generally, IIM Co. cannot average the price or spread to U.S. Treasuries for different funds or accounts, or even the same fund or account, when the same security is traded through different broker-dealers/counterparties on the same day because accounts would incur additional transaction costs. As a result, some minor price variations may exist. Nevertheless, IIM Co. will attempt to transact these trades at the same or as close to the same spread to U.S. Treasuries or price, as possible, without causing the funds or accounts to incur additional transaction costs.

Underwriters of new issues may consider various factors in making such securities available to customers, including the amount of primary and secondary transactional business such customers conduct with such underwriter. As such, certain firms may consider their overall level of business with IIM Co., including transactions for its clients and for clients of IIM Co.'s affiliates. In the view of IIM Co., it is neither appropriate nor practicable to allocate new issues to clients on the basis of the degree to which such client's transactions affected the new issue allocation. Accordingly, any client or account may receive an allocation greater or less than a share based solely upon its own transactional business might otherwise generate. In those instances where there is limited supply or demand for a particular security or investment opportunity resulting in aggregated orders which remain only partially filled at the end of the trading day, there is no certainty that the investment opportunities will be allocated to all funds or accounts, including mutual funds; allocated equally among accounts participating in the aggregated transaction; or according to any established standard. In these instances, IIM Co. will attempt to allocate investment opportunities, including IPOs and new issues, in a fair and equitable manner over time and under the circumstances. Consideration may be given to factors including, but not limited to, the size of the original order, adjusted for, among other things, round lots; the size of the accounts; the benchmark each account is utilizing; the cash available for investment in each account; or whether clients have given IIM Co. directed brokerage instructions and whether IIM Co. is employing "step outs" to effect such transaction (in which case, IIM Co. may elect not to allocate the transaction to the directed brokerage accounts, as the client may incur additional fees charged by its custodian bank regarding the number of trades to settle). Therefore, clients who direct IIM Co. to trade with a particular broker-dealer may be precluded from certain investment opportunities. As a general matter, the expectation of wrap fee sponsors and their clients is that the wrap fee sponsors' affiliated broker-dealers execute all or most equity trades for clients. In particular, operational impediments and related expenses would generally result if equity trades were executed by a broker-dealer unaffiliated with the wrap fee sponsor. As such, in virtually all cases, executing equity trades through the wrap fee sponsor (or its affiliate) will be deemed best execution. Execution costs are typically covered in the wrap fee paid by the client and separate commissions are not charged. Accordingly, IIM Co. may not be in a position to ensure that best execution is obtained for wrap fee clients. Depending on its agreements with the wrap fee sponsors and in its sole discretion, IIM Co. reserves the right to send wrap fee trades either directly to the sponsors' affiliated broker-dealers or first through IIM Co.'s equity trading desk in order to bundle the order, if possible. Where permitted by the advisory agreement or other operative documents, IIM Co. may determine to use another broker-dealer if IIM Co. believes it will provide superior execution, even though the account may incur commission charges.

In relatively infrequent cases, clients—rather than IIM Co.—may retain investment and brokerage discretion over their respective accounts.

Some broker-dealers may recommend that IIM Co. be invited to make presentations and proposals for potential clients' business, which could raise a potential conflict of interest.

Unless specifically directed to utilize a particular broker-dealer, it is IIM Co.'s policy to place orders with broker-dealers that it believes will provide best execution of the order. Such broker-dealers may include affiliated broker-dealers or unaffiliated broker-dealers, including electronic securities brokers. Although IIM Co. generally does not execute client transactions through affiliated broker-dealers it may determine to do so where permitted by applicable laws and regulations. Affiliated broker-dealers may make markets in certain over-the-counter securities and in connection with such activities maintain an inventory in the securities in which it makes markets ("market-making securities"). The trading of market-making securities is not subject to limitations placed on employee or employee-related accounts. In general, except where permitted by law and with client consent, affiliated broker-dealers will not, acting as principal, buy securities from or sell securities to IIM Co.'s advisory clients. However, in some cases, affiliated broker-dealers may purchase or sell such market-making securities for clients as agent for the client through other market-makers, dealers or brokers. Since the purchase or sale of such market-making securities may affect the price of such market-making securities, the affiliated broker-dealer may indirectly benefit from the purchase or sale of such market-making securities for the account.

Transactions in foreign securities may entail materially higher commission rates, reflecting settlement costs in the country of execution. To the extent that securities are required to be custodied in a foreign country, the local foreign custodian charges the broker in accordance with local custom. These charges will be charged to the client account as incurred. In addition to the risks of the investment, foreign securities investments also entail risks of fluctuation in the exchange rate between the local currency and the U.S. dollar.

#### **TRADE ALLOCATION PROCEDURES**

In order to attempt to maximize the benefit derived by its clients in terms of price when it determines that more than one client or account should purchase or sell the same security, IIM Co. frequently uses an average pricing technique. To achieve an equitable result among its clients for whom it buys or sells the same security on the same day and through the same broker, IIM Co. may, subject to the limitations set forth below, aggregate individual orders and seek execution of them as a block or in several blocks through a broker, working the order in such a way as to try to avoid a material impact on the market price until all orders are complete. IIM Co. then instructs the executing broker to calculate the average price for all shares so traded. IIM Co. employs the average pricing method in order to avoid having some clients pay more (or receive less) than other clients when their individual investment objectives and portfolio balances warrant investment (or divestiture) of identical securities. Each participating client account will participate at the average share price and transaction costs will be shared pro-rata based on each client's participation in the bunched order. This average pricing method typically has no impact upon brokerage commissions. It is also generally applied to funds and accounts in which IIM Co.

and/or its affiliates are the sole investors and which IIM Co. and/or its affiliates are the managers.

Accounts that direct their securities transactions to a particular broker-dealer, as well as wrap fee accounts, will generally have average price mechanisms limited to their place of execution or executing broker. If a bunched order is only partially filled, the securities purchased will generally be allocated pro rata to each participating account in the bunched order based upon the initial amount requested for the account (subject to rounding to "round lots" or other minimum thresholds). From time to time, a rotational system designed to provide all clients, including accounts that do not permit "step outs," as well as accounts that are not part of a wrap fee or directed brokerage program, with fair access to trading opportunities over a reasonable period of time, may be used.

For a number of investment strategies, IIM Co. may use or share trading personnel and trading desks with other affiliated asset managers across multiple locations. Depending on the strategy and situation, allocations and investment decisions may be made across several trading desks in the manner deemed most advisable by the portfolio manager(s) and/or traders.

IIM Co., its affiliates, or either of their employees may also be investors in investment funds managed by IIM Co. or its affiliates in which clients may also invest. Such investment funds are generally treated as client accounts, and are neither given preferential nor inferior treatment versus other client accounts in terms of allocations. As noted above, some funds may negotiate lower fees or other unique arrangements with certain investors, provided that the fund is not harmed. For example, affiliated entities of IIM Co. or employees may have arrangements with IIM Co. or other affiliated entities that would permit them to invest in a fund at lower overall fees than would otherwise be the case. In these situations, investors in the fund would not pay any higher fees, but rather IIM Co. or its affiliates would receive lower overall revenue.

#### **IPO ALLOCATIONS**

In general, allocations of IPOs and new issues and other public offerings are made on the basis of pre-established criteria across those eligible accounts seeking to purchase the securities and for which the securities are appropriate and suitable. Where the portfolio managers determine that the security will likely not be sold in the near term, managers of accounts receiving new issues may determine to sell the securities on the secondary market (thereby realizing gains) and subsequently purchase them for a broader universe of accounts or, where permitted, "cross" them with other managed funds or accounts. IPOs and new issues may be restricted to certain funds or accounts based on their investment objectives, investment restrictions or trading strategies. Portfolio managers may also determine that based upon their understanding of the clients' investment parameters, certain transactions in IPOs or new issues may be inappropriate for their clients. Funds or accounts which are not prohibited from purchasing and/or selling IPOs or new issues may participate in such transactions if to do so would be consistent with their historical or expected trading patterns. Subject to investment restrictions, IPOs and new issues will generally be allocated on a pro rata basis to all eligible, participating funds or accounts

based on the asset size of each participating fund or account unless quantities available are too small to be allocated pro rata. As a result, certain client accounts of IIM Co. may have greater opportunities than others to invest in IPOs and new issues. Funds or accounts with an investment policy or style that emphasizes investment in a specific category of securities may be given priority over other clients in allocating such securities. In addition, managers' relationships with the underwriters, brokerage commissions generated, and analysis and commitment to the security may also be factors in allocation decisions.

Clients may specify parameters of equity or bond exposure which they are willing to accept as a percentage of total market value as well as certain minimum quality standards which are to be applied to purchases of these securities, and diversification levels may be specified which control the amount of any single industry or issue taken as a percentage of the total portfolio. The portfolio manager responsible for the account may accept or reject investment restrictions, based upon whether the restrictions will unduly impede management of the account. In the event that a restriction is not acceptable to IIM Co., the decision is communicated to the client.

As noted above, from time to time a client selects the broker to be utilized for executions in the client's account. In such instances, these orders usually will be entered after the completion of client orders for which the firm is authorized to select the executing broker. The result of this policy is that a client who directs its brokerage may have transactions executed at prices different from those of other clients, and which may be either more or less favorable. In addition, IIM Co. rotates the order of the brokers used for those clients who direct their transactions to a particular broker, as well as for wrap fee program trades, in the event there are to be multiple directed transactions in the same security. This may advantage or disadvantage a client who directs its trades or a wrap fee client.

#### ITEM 13

### Review of Accounts

Generally, the primary responsibility for the investment management services provided to each client or fund resides with the portfolio managers who are assigned to manage that client's account or fund. Portfolio managers are responsible for the appropriateness of the investments pursuant to the account's or fund's investment objectives, guidelines and restrictions.

IIM Co.'s investment groups are generally organized according to the various investment strategies offered. Each strategy is usually effected by a group headed by one or more lead portfolio managers. In addition to the lead portfolio manager(s), the group may consist of other portfolio managers and analysts. The lead portfolio manager is responsible for establishing and implementing the over-all investment strategy that the other members of the group will effect. The number of accounts assigned to each portfolio manager will vary according to the size and complexity of the accounts. In general, portfolios are reviewed by the traders, investment teams and/or lead portfolio managers. The number of accounts reviewed by each reviewer varies depending upon the nature and size of the accounts under management.

With respect to certain investment strategies, as a general matter, at least monthly, one or more lead portfolio managers will review certain client portfolios for consistency of investment policy implementation.

#### DISCRETIONARY ASSET MANAGEMENT ("DAM")

With regard to DAM accounts at IIM Co., certain senior investment professionals establish DAM's over-all asset allocation strategy after examining various economic, market, political and global considerations and monitor over-all investment performance. For DAM accounts, client relationships and accounts are assigned to relationship managers who are responsible for reviewing asset allocation decisions and implementation of the specific investment strategies for client portfolios when transactions occur or on at least a monthly basis. Relationship managers monitor a number of client relationships depending upon the amount of client assets, the complexity of the investment guidelines and other factors. Client sensitivities or directives are considered in the review. Portfolio managers review their assigned portfolios more frequently. The individuals conducting reviews may vary from time to time.

#### CLIENT REPORTS

IIM Co. generally furnishes reports to clients, at least quarterly, regarding their portfolio assets, positions, costs, valuation, performance, transactions and, often, narrative information about the investments, market and economic conditions. Clients may also receive monthly statements and confirmations of transactions from the custodian bank for the clients' account. With respect to registered investment companies and other regulated investment vehicles, investors are typically provided with reports as required by applicable law. Wrap fee clients will generally receive similar reports directly from the wrap fee sponsor and account custodian.

#### ITEM 14

### Client Referrals and Other Compensation

#### ADDITIONAL COMPENSATION

From time to time, IIM Co. may have referral or solicitation arrangements with affiliated and non-affiliated persons or entities from which IIM Co. may receive or to which IIM Co. may pay compensation for the referral of business. Generally, any such arrangements are pursuant to agreements consistent with Rule 206(4)-3 under the Advisers Act. These arrangements may raise potential conflicts of interest insofar as the person providing the referral or solicitation is either an affiliate of IIM Co. or is otherwise being compensated and, therefore, may not be objective. Disclosures of the arrangement or affiliation are made to the client and the client does not bear the cost of referral fees or solicitation fees which may vary on a case-by-case basis.

Further, IIM Co. or its affiliates may participate in conferences and other functions sponsored by consultants and may purchase research or other services from such consultants. From time to time, these consultants may recommend IIM Co. or affiliates to clients. These recommendations are not based on, or related to, the purchase of research or services, or the participation in conferences or other functions.

## ITEM 15

### Custody

Client assets are generally held in custodial accounts with banks, broker-dealers or other qualified custodians that are not affiliated with IIM Co. IIM Co. is not itself a qualified custodian. Although IIM Co. does not have possession of such client assets, when our clients permit us to deduct our management fees directly from their custodial accounts, the SEC deems us to have custody over the assets in the account. Such clients should receive account statements from the custodial bank, broker-dealer or other qualified custodian at least quarterly. IIM Co. urges all clients that receive statements from their custodians to carefully review and compare such official custodial records to any account statements that IIM Co. may provide. IIM Co. statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities, so clients are advised to contact us and their custodians with questions.

There are other circumstances under which the SEC may deem IIM Co. to have custody of client assets, although a qualified custodian would actually maintain the client's funds and securities. This may include when we manage the proprietary assets of our affiliates. Also, if permitted by a client, IIM Co. may invest client assets in collective trust funds established by our affiliate ING Investment Trust Co., which serves as manager and trustee to the funds. The collective trust funds are audited annually by an independent public accountant, and the audited financial statements are distributed to investors. Additionally, IIM Co. may act as sub-adviser to our foreign affiliates with regard to certain non-U.S. pooled investment vehicles that are generally organized and registered in European jurisdictions. Finally, a client's custodian may from time to time engage an IIM Co. affiliate (such as ING Bank) as its preferred sub-custodian in a market where the primary custodian does not have its own presence. Any such sub-custodian would be operationally independent of IIM Co. and IIM Co. would neither engage nor participate in the primary custodian's decision to engage the sub-custodian.

## ITEM 16

### Investment Discretion

IIM Co. typically receives complete discretionary authority from the client at the outset of an advisory relationship through an investment management agreement or other documents to select the identity and amount of securities to be bought and sold, select the broker-dealers and other service providers that will service and support the operation of the account, execute trades on behalf of the client and generally engage in all activities that are essential or incidental to the investment management services IIM Co. provides. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account or fund. While IIM Co. generally does not select other advisers for clients, as part of asset allocation or similar products it may do so; in addition, as part of these products, IIM Co. may select funds or investment vehicles that are advised or sub-advised by other entities.

In managing its clients' accounts, IIM Co. observes the investment policies, limitations and restrictions of the clients for which it advises. IIM Co.'s authority to manage the accounts

may also be limited by securities, tax and other applicable laws. Investment guidelines and restrictions must be provided to IIM Co. in writing.

IIM Co. will generally work with clients in tailoring the advisory services and investment guidelines for separately managed accounts. In addition, clients generally may impose their own investment restrictions.

## ITEM 17

### Voting Client Securities

#### PROXY VOTING POLICY:

##### I. General Procedures

IIM Co. has responsibility for making investment decisions that are in the best interest of its clients. As part of the investment management services it provides to clients, IIM Co. may be instructed by clients to vote proxies appurtenant to the shares for which the clients are beneficial owners.

As a fiduciary, IIM Co. believes that it has a duty to manage clients' assets solely in the best interest of the clients and that the ability to vote proxies is a client asset. Accordingly, IIM Co. has a duty to vote proxies in a manner in which it believes will add value to the client's investment. IIM Co. may amend its proxy policies and procedures from time to time.

##### II. Proxy Voting Procedures

The proxy voting procedures below explain the role of IIM Co.'s Proxy Committee, the proxy voting service, and the Proxy Manager, as well as how the process will work when a proxy question needs to be handled on a case-by-case basis, or when there may be a potential conflict of interest.

##### The Role of the Proxy Committee (the "Committee")

The Committee exercises control of the voting of proxies by establishing written guidelines and participates, as needed, in the resolution of issues or conflicts of interest that need to be handled on a case-by-case basis. The Committee annually reviews guidelines governing proxy votes. The Committee is assisted in this process by an independent proxy voting service and IIM Co.'s Proxy Manager.

##### The Role of the Proxy Voting Service

IIM Co. has engaged an independent proxy voting service to assist in the voting of proxies. The proxy voting service is responsible for coordinating with the client's custodians to ensure that all proxy materials received by the custodians relating to each client's portfolio securities are processed in a timely fashion. To the extent applicable, the proxy voting service votes all proxies in accordance with guidelines provided to them by IIM Co., unless they receive overriding instructions from the Proxy Manager. Depending on circumstances, in the future IIM Co. could decide to retain one or more other proxy voting services or external vendors.

Some clients may determine to enter into arrangements with custodians and/or securities lending agents whereby securities are lent out from the client's portfolio and the client earns compensation as a result. In these situations, clients should be aware that, if the lent-out security cannot be returned to the



client's custodian on a timely basis, the ability to vote proxies on the security or otherwise take action with respect to the security may be adversely impacted.

### **The Role of the Proxy Manager**

The IIM Co. Operations Department liaises directly with the custodian to ensure that proxies and related materials are properly forwarded to the proxy voting service. Thereafter, the Proxy Manager works with the proxy voting service to cast votes and compile reports, and with the Proxy Committee to resolve issues.

### **Conflicts of Interest**

Occasions may arise where a person or organization involved in the proxy voting process may have a conflict of interest. A conflict of interest may exist, for example, if IIM Co. or an affiliate has a business relationship with (or is actively soliciting business from) either the company soliciting the proxy or a shareholder proponent of a proxy proposal. In any case of a known conflict of interest, application of the proxy guidelines is designed to address conflicts. Where application of the proxy guidelines does not resolve the conflict, the Committee would generally be consulted or the client may be contacted.

### **Procedures for voting client proxies**

Daily, the Proxy Manager reviews the proxy voting service research and recommendations. If the recommendations are consistent with IIM Co.'s guidelines, no action is taken. If there is a difference between the guidelines of the proxy voting service and IIM Co.'s written guidelines, the Proxy Manager submits an overriding vote consistent with IIM Co.'s written guidelines. Case-by-case issues not covered in the guidelines will generally be voted with the proxy voting service recommendations, but IIM Co. reserves the right to override the vote recommendations where warranted.

If the application of the proxy voting guidelines is unclear, a particular proxy question is not covered by the guidelines, or the Proxy Manager strongly disagrees with the proxy voting service recommendation, the Proxy Manager would elevate the issue to the Committee, which would then determine how to vote (a simple majority vote is needed). If a conflict of interest exists, IIM Co. will generally vote with the proxy voting service (or client) recommendation. In the unlikely situation where a conflict of interest exists for IIM Co. and the proxy voting service cannot issue a recommendation due to a conflict of interest of its own, the Committee will determine how to proceed.

To implement these procedures, IIM Co. may use external service providers.

### **CORPORATE ACTIONS AND RELATED ISSUES**

From time to time, IIM Co. may need to make decisions with respect to various types of corporate actions (e.g., tender offers, restructurings, waivers of covenants, etc.) on behalf of client accounts. These situations are often highly fact-specific and can occur in all types of portfolios, including fixed income strategies. Where the proxy voting service recommends a particular course of action, the Proxy Manager will generally follow the recommendation, although he or she may after consult with the portfolio manager. In situations where the proxy voting service does not recommend a course of action, absent a conflict of interest the portfolio manager will generally provide

a recommendation to the Committee. In the event there is a conflict of interest, either the recommendation of the proxy voting service will be followed (if available) or the Committee will make the ultimate decision.

### **III. General Guidelines**

In general, IIM Co.'s proxy voting guidelines oppose management proposals to protect themselves from shareholders, i.e., roadblocks to takeovers, including poison pills, dual classes of stock or voting privileges, super majorities, etc.

IIM Co. will generally support routine management proposals, including election of most directors and approval of auditors. Other proposals will be voted on when they come to the attention of Applicant.

Stockholder proposals will generally be voted in accordance with the proxy voting guidelines (if applicable) or brought to the attention of the Committee for a final decision.

### **IV. Obtaining Voting Records**

Generally, IIM Co. will not divulge information regarding a specific vote prior to the shareholder meeting; however, it will provide its standard proxy voting guidelines to clients upon request. Clients can obtain records on how IIM Co. voted their shares for a specified period of time by contacting their Client Service Representative or Relationship Manager.

Clients whose custodians establish omnibus accounts or who are part of wrap fee or managed account programs may get proxy reports for a larger pool of securities than that in which they were invested.

### **V. Records**

The Proxy Manager will take necessary steps to retain, or arrange for the retention of, the proxy voting records (as defined by the SEC) for six years or such other period as may be required by applicable law or regulation.

### **CLASS ACTIONS AND LITIGATION**

As a general matter, a fund's or account's custodian, rather than IIM Co., is responsible for filing class action claims and IIM Co. generally does not commence or pursue litigation on behalf of clients or separately managed accounts. With respect to funds, IIM Co. may determine to initiate and/or pursue litigation in order to maximize recoveries for the fund, including "work-out" situations. Likewise, IIM Co. may in certain cases assist clients in these proceedings. Recoveries achieved from these activities inure to the benefit of, and expenses incurred in these efforts are borne by, those accounts or funds holding the investments.

### **ITEM 18**

## **Financial Information**

IIM Co. does not require or solicit payment of fees in excess of \$1200 per client six months or more in advance. IIM Co. is required in this Item to provide clients with certain material financial information or disclosures about its financial condition. To the best of our knowledge and belief, IIM Co. has no financial commitment that is reasonably likely to materially adversely affect its ability to provide investment management services to its clients, and has not been the subject of a bankruptcy petition.

