

## **Haven Asset Management (Insurance) LLC**

**July 10, 2018**

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This brochure provides information about the qualifications and business practices of Haven Asset Management (Insurance) LLC (the “Adviser”). If you have any questions about the contents of this brochure, please contact us at 203-302-1700. This information has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

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

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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**Item 2.      Material Changes**

This item is not applicable.

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

The Adviser is an investment adviser with its place of business in Greenwich, Connecticut. The principal owners of the Adviser are Max Holmes, the Chief Executive Officer and Chief Investment Officer of the Adviser, and Jonathan Feldman, the President and Chief Operating Officer of the Adviser.

The Adviser expects to commence operations as an investment adviser in the third calendar quarter of 2018. As a result, certain responses contained herein are based on the Adviser's expectations with respect to its investment advisory business.

The Adviser will provide investment advisory services on a discretionary basis to separately managed accounts (the "accounts") of insurance companies, corporations and other business entities (each, a "client", and collectively, the "clients"). The Adviser will provide advice to client accounts based on specific investment objectives and strategies. The Adviser does not currently manage any assets. The Adviser does not intend to tailor advisory services to the individual needs of clients. Except as imposed by regulatory requirements or as expressly set forth in an investment management agreement between the Adviser and the client, clients may not impose restrictions on investing in certain securities or certain types of securities.

In accordance with Rule 203A-2 of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), the Adviser anticipates that it will amend this brochure within 120 days of registration to indicate that it has met the asset eligibility requirements for registration.

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

##### **Asset-Based Compensation**

The Adviser will be paid an asset-based investment management fee ranging from 0.25% to 2.00% per annum of the net assets of each respective client account.

Investment management fees will be charged each quarter, typically in advance, based on the net asset value of the client account (including net unrealized appreciation or depreciation of investments, and including cash, cash equivalents and accrued interest) on the first day of the quarter. If a new client account is established during a quarter or a client makes an additional capital contribution to its account during a quarter the investment management fee will be charged as of the effective date of the investment management agreement or the date of the additional contribution based on the value of the assets as of the applicable date and will be prorated for the number of days remaining in the quarter.

The Adviser's clients will typically be required to pay the Adviser's asset-based investment management fees in advance. A client may obtain a refund of such a pre-paid fee if the advisory contract is terminated or a withdrawal is made from the account before the end of a billing period.

##### **Performance-Based Compensation**

The Adviser or an affiliate of the Adviser, with regard to some clients and some strategies, will be paid performance-based compensation, which is based on a share of capital gains on or capital appreciation of the net assets of a client account. This compensation may be paid to the Adviser or to an affiliate of the Adviser and is expected to range from zero to 20% of such capital gains or capital appreciation. Under certain circumstances, receipt of performance-based compensation may be subject to a hurdle rate based upon U.S. Treasuries, LIBOR or some other benchmark.

The asset-based fees and performance-based compensation may be negotiated with certain clients.

## **Expenses**

Subject to the language of each client's investment management agreement with the Adviser, clients will pay the expenses described below.

The Adviser will render its services at its own expense with regard to the following overhead expenses: salaries and other compensation to its employees (including payroll taxes, health insurance and other benefits and other employment expenses), office rent and related expenses (including property and casualty insurance, utilities and furniture and fixtures), secretarial and other internal administrative expenses, and office expenses (including stationery and employee entertainment expenses). The Adviser will not be responsible for any of the client's expenses, and the client shall be responsible for all other costs and expenses related to the operation of the client's account, including without limitation: (1) organizational expenses; (2) accounting, auditing, legal, and compliance expenses; (3) investment and trading expenses (including without limitation trade clearance and settlement, corporate action processing, and trade confirmation and reconciliation); (4) information and news services; (5) professional fees and expenses (including expenses of researchers, consultants and experts); (6) insurance expense (including without limitation premiums for directors' and officers' liability insurance); (7) taxes and governmental charges (including without limitation any related preparation, compliance and other expenses); (8) custodial fees, transfer agency fees and expenses, clearing and settlement charges and other trading-related expenses; (9) record keeping and other administrative fees and expenses; (10) printing and mailing expenses; (11) interest, commitment fees and related expenses payable to lenders on borrowings, margin accounts or other indebtedness; (12) foreign exchange transaction costs; (13) brokerage commissions and spreads; (14) borrowing charges on investments sold short; (15) bank service fees, withholding and transfer fees; (16) loan fees, sales commissions, appraisal fees, loan-pricing services fees, interest and commitment fees; (17) underwriting commissions and discounts; (18) research expenses; (19) unusual or extraordinary expenses (including without limitation legal costs and expenses) of any litigation, investigation or indemnification involving the account activities; (20) any other expenses reasonably related to the purchase, sale or transmittal of the investments of the client's account; (21) all other investment expenses incurred by the account; and (22) all other similar expenses necessary or advisable for or incidental or related to the client's account; in each case as the Adviser reasonably determines. The client will also reimburse the Adviser for the reasonable travel and incidental expenses of its personnel related directly to the business of the client, including travel to attend meetings of the board of directors of the client or other events or meetings at the request of the client. To the extent the Adviser advances any costs or expenses described above on behalf of the account, the client will reimburse the Adviser promptly upon the Adviser's request.

The allocation of expenses by the Adviser between it and a client and among clients represents a conflict of interest for the Adviser. The Adviser has adopted an expense allocation policy that is designed to address this conflict. The Adviser allocates expenses to each client in accordance with the client's investment management agreement. The Adviser seeks to allocate any shared expenses for products and services benefitting multiple clients or benefiting both the Adviser and a client, but not covered in the client's investment management agreement, in a fair and reasonable manner as determined by the Adviser.

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

As noted in Item 5, the Adviser is entitled to receive performance-based compensation. Such performance-based compensation may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements. The Adviser and its investment personnel, including investment personnel that share in performance-based compensation, manage both client accounts that are charged performance-based compensation and accounts that are charged an asset-based fee, which is a non-performance-based fee(s). In addition, certain client accounts may have higher asset-based fees or more favorable performance-based compensation arrangements than other accounts. When the Adviser and its investment personnel manage more than one client account, a potential exists for one client account to be favored over another client account. The Adviser and its investment personnel have a greater

incentive to favor client accounts that pay the Adviser (and indirectly its investment personnel) performance-based compensation or higher fees.

The Adviser will manage multiple client accounts. Accordingly, the Adviser has adopted and implemented policies and procedures intended to address conflicts of interest that may arise relating to the management of multiple accounts, including accounts with different fee arrangements, and the allocation of investment opportunities. The Adviser reviews the performance of similarly managed accounts to determine whether there are any unexplained significant discrepancies. In addition, the Adviser's procedures relating to the allocation of investment opportunities are that eligible client accounts with the same or substantially similar investment mandates and strategies participate in investment opportunities pro rata based on the relative value of the assets of each participating account to all participating accounts. However, the Adviser, if it deems advisable, may allocate investment opportunities to such accounts on a non-pro rata basis due to a consideration of factors including but not limited to (a) regulatory restrictions applicable to the account, (b) available cash or cash equivalents in the account at the time of the investment opportunity, (c) projected liquidity requirements of the account, and/or (d) the avoidance of odd lots or excessively small allocations.

To the extent orders are aggregated, client orders are price-averaged and allocated in accordance with the aggregated order; provided, that the aggregated order may be allocated on a different basis for reasons including without limitation partially filled orders and to avoid odd lots or excessively small allocations. Finally, the Adviser seeks to allocate investments of limited opportunity (such as initial public offerings and private placements) among accounts in a fair and equitable manner.

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

The Adviser's clients will consist of insurance companies, corporations and other business entities. The Adviser does not have any fixed requirements such as minimum account size, for opening or maintaining an account.

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

##### **A. Methods of Analysis and Investment Strategies**

The Adviser employs fundamental analysis of individual situations and investment opportunities, including credit analysis and equity valuation analysis. In addition, general economic and political conditions relevant to each investment are analyzed. The Adviser utilizes a variety of information as part of the investment decision making process, including without limitation public filings with the SEC and other government agencies and courts, reports by debt rating services such as Moody's Corporation ("Moody's") and S&P Global Ratings ("S&P"), company press releases, annual reports, investor presentations and conference call transcripts, sell-side and investment banking research reports, financial and other publications, industry and corporate experts and contacts, and proprietary legal analysis and research.

Investment strategies may at any time include unlevered and levered long or short positions, swaps (including credit default swaps and total rate of return swaps), options (purchased or written), futures contracts, commodities, forward contracts and other derivative instruments. Focus areas for the Adviser include Liquid Debt Instruments (defined below) rated by the National Association of Insurance Commissioners (the "NAIC") and Specialty Finance (defined below).

##### **Specialty Finance**

The Adviser on behalf of clients will seek to invest in the following categories of Specialty Finance investments: Consumer Finance, Hard Assets, Insurance Finance, Lease Finance, Legal Finance, Mortgage Finance, Receivables, Royalties, Securitizations, Tax Liens, and Trade Claims.

Subject to applicable law and regulations, Liquid Debt Instruments and/or Specialty Finance assets may include but are not limited to:

- Bank – Certificates of Deposit
- Bank – Fixed Term Cash Deposits
- Bank – Savings Accounts
- Bank Debt and Loans – Agricultural and USDA Loans
- Bank Debt and Loans – Asset Based Loans (ABLS)
- Bank Debt and Loans – Assignments
- Bank Debt and Loans – Debtor in Possession Loans (DIPs)
- Bank Debt and Loans – Letters of Credit
- Bank Debt and Loans – Participations
- Bank Debt and Loans – Revolvers
- Bank Debt and Loans – SBA Loans
- Bank Debt and Loans – Term Loans
- Bank Debt and Loans – Unitranche
- Cash
- Cash Equivalents
- Common Stock (of corporations, LLCs, BDCs, MLPs, LPs) – Listed
- Common Stock (of corporations, LLCs, BDCs, MLPs, LPs) – Private Companies
- Common Stock (of corporations, LLCs, BDCs, MLPs, LPs) – Public Companies
- Common Stock (of corporations, LLCs, BDCs, MLPs, LPs) – Unlisted
- Consumer Finance
- Consumer Finance – Auto Loans
- Consumer Finance – Chattel Paper
- Consumer Finance – Contract for Deed
- Consumer Finance – Lottery Tickets and Annuities
- Consumer Finance – Payday Loans
- Consumer Finance – Structured Settlements
- Consumer Finance – Timeshares
- Consumer Finance – Title Loans
- Derivatives
- Derivatives – Caps and Floors
- Derivatives – Credit Default Swaps (CDS)
- Derivatives – Credit Derivatives
- Derivatives – Forward Contracts
- Derivatives – Futures
- Derivatives – Hedging Transactions & Hedges
- Derivatives – Listed Options
- Derivatives – Over the Counter & Unlisted Options
- Derivatives – Swaps – Credit Default – Listed
- Derivatives – Swaps – Credit Default – Over the Counter
- Derivatives – Swaps – Currency
- Derivatives – Swaps – Interest Rate
- Derivatives – Swaps – Total Rate of Return
- Derivatives – Synthetic Securities
- Direct Investments – Equity Co-Investment
- Direct Investments – Infrastructure
- Direct Investments – Private Equity
- Direct Lending
- Funds – Closed End Mutual Funds
- Funds – Exchange Traded Funds (ETFs)
- Funds – Fund of Funds – Hedge Funds

- Funds – Fund of Funds – Private Equity
- Funds – Hedge Funds
- Funds – Money Market
- Funds – Open End Mutual Funds
- Funds – Private Equity
- Funds – Unlisted Funds
- Hard Assets – Collectibles (art, jewelry, coins, stamps, cars)
- Hard Assets – Ferrous and Non-Ferrous Metals and Minerals
- Hard Assets – Gold & Silver
- Hard Assets – Precious Metals and Minerals
- Hard Assets – Semi-Precious Metals and Minerals
- Insurance Finance
- Insurance Finance – Annuities
- Insurance Finance – Broker Residuals
- Insurance Finance – Life Settlements
- Insurance Finance – Premium Finance
- Insurance Finance – Reinsurance Receivables
- Investments – Classified
- Investments – Unclassified
- Lease Finance and Leases
- Lease Finance – Equipment & Vehicle Capital Leases
- Lease Finance – Equipment & Vehicle Operating Leases
- Lease Finance – Leveraged Leases
- Lease Finance - Triple Net (NNN) Leases
- Legal Finance
- Legal Finance – Advance Funding
- Legal Finance – Law Firm Finance
- Legal Finance – Pre-Settlement Funding
- Mezzanine Debt
- Mortgages, Mortgage Notes and Whole Loans – Commercial Property
- Mortgages, Mortgage Notes and Whole Loans – Land
- Mortgages, Mortgage Notes and Whole Loans – Residential Property
- Municipal Bonds – Commonwealth of Puerto Rico or its entities
- Municipal Bonds – U.S. States or their entities
- Municipal Bonds - Other U.S. Territories
- Notes, Bonds and Debentures – Convertible
- Notes, Bonds and Debentures – Secured
- Notes, Bonds and Debentures – Senior
- Notes, Bonds and Debentures – Subordinated
- Notes, Bonds and Debentures – Unsecured
- Other Financial Instruments
- Preferred Stock – Convertible
- Preferred Stock – Straight
- Receivables
- Receivables Factoring
- Receivables Finance
- Royalties – Drug & Pharmaceutical
- Royalties – Franchise
- Royalties – Mining
- Royalties – Music
- Royalties – Patent
- Royalties & Mineral Rights – Oil & Gas
- Royalties & Residuals – Film & Television

- Securities – Commercial Paper
- Securities – Commonwealth of Puerto Rico
- Securities – Foreign Government, Government Agency, State, Province & Municipality
- Securities – Investment Grade
- Securities – Non-investment Grade
- Securities – Rated by Moody's, S&P, Fitch Ratings, DBRS, Kroll, Morningstar and any other rating agency recognized by the NAIC
- Securities – State or Territory of the United States
- Securities – Supra-National Entities and Non-Governmental Agencies (NGOs)
- Securities – U.S. Government & U.S. Government Agencies
- Securities – Unrated
- Securities – With CUSIP, ISIN and/or SEDOL identifying numbers
- Securities – Without CUSIP, ISIN and/or SEDOL identifying numbers
- Securitizations – Asset Backed Securities (ABS)
- Securitizations – Collateralized Bond Obligations (CBOs)
- Securitizations – Collateralized Debt Obligations (CDOs)
- Securitizations – Collateralized Loan Obligations (CLOs)
- Securitizations – Collateralized Mortgage Obligations (CMOs)
- Securitizations – Equipment Trust Certificates (ETCs)
- Securitizations – Mortgage Backed Securities (MBS) – Government Guaranteed
- Securitizations – Mortgage Backed Securities (MBS) – Not Government Guaranteed
- Securitizations – Residential Mortgage Backed Securities (RMBS)
- Securitizations – Commercial Mortgage Backed Securities (CMBS)
- Securitizations – Structured Products
- Securitizations – Warehouse Entities and interests in them
- Tax Liens
- Trade Claims and Private Claims
- Warrants – Listed
- Warrants – Unlisted

### **Hedges**

The Adviser may hedge against fluctuations in (i) interest rates, (ii) currencies (where applicable), (iii) general levels of equity markets, and (iv) general levels of corporate bond spreads. The Adviser may invest in a variety of derivative instruments and utilize a number of strategies for hedging and other strategic investment purposes.

### **B. Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategies**

The following summary identifies material risks related to the Adviser's investment strategies and should be carefully evaluated before making an investment with the Adviser; however, the following does not intend to identify all possible risks of an investment with the Adviser or provide a full description of the identified risks.

### **Nature of Investments**

Except as imposed by regulatory requirements, the Adviser has broad discretion in making investments for the accounts. Investments will generally consist of debt and equity securities and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on a client's investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of a client's activities and the value of its investments. No guarantee or representation is made that a client's investment objective will be achieved.

### **High Risk Investments / Distressed Securities**

The accounts may invest in “distressed securities” – debt and equity securities, private claims and obligations of U.S. and non-U.S. entities that are experiencing significant financial or business difficulties. Investments in distressed securities involve a substantial degree of risk. The accounts may lose a substantial portion or all of their investments in a distressed investment, or may be required to accept cash or securities with a value less than such accounts’ investment in such distressed securities. Among the risks inherent in investments in entities experiencing significant financial or business difficulties is the fact that it frequently may be difficult to obtain information as to the true condition of such entities. The market prices of such instruments are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and asked prices of such instruments may be greater than in other markets. A risk of owning distressed securities is that litigation may from time to time arise. Such litigation can be time-consuming and expensive, and can frequently lead to unpredicted delays in obtaining liquidity, and/or losses.

### **Special Situations**

The accounts may invest in companies involved in (or the target of) acquisition attempts or tender offers and in companies involved in or undergoing work-outs, liquidations, spin-offs, proxy contests, reorganizations, bankruptcies or other fundamental changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, will take considerable time or will result in a distribution of cash or new securities the value of which will be less than the purchase price to the accounts of the securities or other financial instruments in respect of which such distribution is received. Similarly, if an anticipated transaction does not occur, the accounts may be required to sell their investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the accounts may invest, there is a potential risk of loss by the accounts of their entire investments in such companies. In connection with such transactions (or otherwise), the accounts may purchase securities on a when-issued basis, which means that delivery and payment take place sometime after the date of the commitment to purchase, and is often conditioned upon the occurrence of a subsequent event, such as approval and consummation of a merger, reorganization or debt restructuring. The purchase price or interest rate receivable with respect to a when-issued security can be fixed when the accounts enter into the commitment. Such securities are subject to changes in market value subsequent to the date of the commitment to purchase.

### **Investment in Reorganizations and Restructurings**

The accounts may make investments in restructurings that involve companies that are experiencing or are expected to experience severe financial difficulties. These severe financial difficulties may never be overcome and may cause such companies to become subject to bankruptcy proceedings. In such situations, the accounts’ investment is subject to the risk that a bankruptcy filing may adversely and permanently impact the value of a company and that high administrative costs may impair the value of the company. In addition, such investments could subject the accounts to certain additional potential liabilities that may exceed the value of their original investment therein. For instance, under certain circumstances, payments to the client accounts may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in distressed companies and restructurings may be adversely affected by statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the court’s discretionary power to disallow, subordinate or disenfranchise particular claims.

Having an investment substantial enough to constitute a “blocking position” in a security of a company that is subject to a plan of reorganization or a restructuring entails significant risks if the Adviser’s evaluation of the anticipated outcome of the investment situation should prove incorrect. In addition, an investment in a company involved in a reorganization proceeding or restructuring entails significant risks if the Adviser’s evaluation of the anticipated outcome of the investment situation should prove incorrect.

Furthermore, an investment in a company involved in a reorganization proceeding or restructuring may be adversely impacted if the Adviser's evaluation of the timing of such outcome should prove incorrect.

Some of the investments in client accounts may require active monitoring and/or representation on an official and/or unofficial creditors or equity holders committee for a company involved in a reorganization proceeding or restructuring. Accordingly, the Adviser may from time to time seek representation on such a committee from time to time if the Adviser, in its discretion, determines that such representation is necessary or advisable in order to protect or further the client accounts' interests. Serving on an official or unofficial committee increases the possibility that the accounts will be deemed an "insider" or a "fiduciary" of the company it has so assisted, and may restrict the accounts' trading of its investments in such company. Should such assistance be provided before a company enters bankruptcy proceedings, the U.S. Bankruptcy Court, under certain conditions such as a finding of fraud or inequitable conduct, may invoke the doctrine of "equitable subordination" with respect to any claim or equity interest in such company held by the accounts, and subordinate any such claim or equity interest in whole or in part to other claims or equity interests in such company. Claims of equitable subordination may also arise outside of the context of the Adviser's committee activities. In addition, if representation on a creditors' committee of a company causes the accounts to be deemed affiliates of the company, the securities of such company held by the accounts may become restricted securities, which are not freely tradable. As the accounts will indemnify any person serving on a committee on its behalf for claims arising from the breaches of those obligations, indemnification payments could adversely affect the return on the accounts' investment in such company.

### **Activist Strategy**

An accounts' investment strategies may involve, in some cases, aggressive creditor or shareholder activism that will attempt to influence the destinies of target companies, in which case there exists the risk that the intended strategy for a particular company will be unsuccessful. Further, when securities are purchased in anticipation of influencing the future direction of a company, a substantial period of time may elapse between the accounts' purchase of the securities and the anticipated results. During this period, a portion of the accounts' capital would be committed to the securities purchased, and the accounts typically might finance some portion of such purchases with borrowed funds on which they must pay interest. Additionally, if the anticipated results do not occur, the accounts may be required to sell their investments at a loss. Moreover, there may be instances where the accounts will be restricted from transacting in or redeeming a particular investment as a result of their activist investment strategy. Because there is substantial uncertainty concerning the outcome of transactions involving the target companies in which the accounts may invest, there exists a potential risk of loss by the accounts of their entire investment in such companies.

Moreover, as a result of the accounts' investment strategy and the possibility that the accounts may participate in restructuring or similar activities, it is possible that the accounts may become involved in litigation (as either plaintiff or defendant). Litigation entails legal and other expenses which will be borne by the accounts. Litigation also entails the possibility of counterclaims against the accounts and ultimately judgments may be rendered against the accounts for which the accounts may not carry insurance.

### **Arbitrage Transaction Risks**

Arbitrage strategies attempt to take advantage of perceived price discrepancies of identical or similar financial instruments, on different markets or in different forms. Examples of arbitrage strategies include event-driven arbitrage, merger arbitrage, capital structure arbitrage, risk arbitrage, convertible arbitrage, fixed income or interest rate arbitrage, debt spread arbitrage and index arbitrage. The Adviser may employ any one or more of these arbitrage strategies. If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur which can be magnified to the extent the account is employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable "spreads," which can also be identified, reduced or eliminated by other market participants.

## **Control Positions**

To the extent that an account (or accounts in the aggregate) owns a controlling stake in or is deemed an affiliate of a particular company, the account may be subject to certain additional securities laws restrictions that could adversely affect both the liquidity of the account's investment in such company, and the account's ability to liquidate such investment without adversely impacting the subject company's stock price, including insider trading restrictions, the affiliate sale restrictions of Rule 144 of the U.S. Securities Act of 1933, as amended, and the disclosure requirements of Sections 13 and 16 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). In addition, to the extent that the Adviser or affiliates of the Adviser are subject to such restrictions, the accounts, by virtue of their affiliation with such entities, may be similarly restricted, regardless of whether the accounts stand to benefit from the Adviser or its affiliate's stock ownership.

If the account, alone or as part of a group acting together for certain purposes, becomes the beneficial owner of more than 10% of certain classes of securities of a U.S. public company or the Adviser places a director on the board of directors of such a company, the accounts may be subject to certain additional reporting requirements and to liability for short-swing profits under Section 16 of the Exchange Act. Furthermore, the accounts may also be subject to similar reporting requirements in non-U.S. jurisdictions where they hold significant positions in the securities of public companies in such jurisdictions.

## **Hedging Transactions**

Although the accounts may utilize a variety of financial instruments, such as derivatives, options, interest rate swaps, caps and floors, structured products, futures and forward contracts generally for risk management purposes (the accounts may also utilize them for speculative purposes), there can be no assurances that a particular hedge is appropriate, or that a certain risk is measured properly. Further, while the accounts may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the accounts than if the Adviser did not engage in any such hedging transactions. Moreover, the accounts will always be exposed to certain risks that cannot be hedged, such as certain credit risk (relating both to particular securities and counterparties). In addition, the accounts may choose not to enter into hedging transactions with respect to some or all of their positions.

## **Currency Hedging**

While the accounts are primarily denominated in U.S. dollars, some of the underlying investments of accounts may be denominated in different currencies. Accordingly, any hedging of currency exposure that is implemented by the accounts will primarily involve hedging back to the U.S. dollar, but in certain circumstances may involve other hedging activities. To the extent any such hedges are profitable during any month or quarter, the profits will be invested at the end of such month or quarter into the core investment portfolio of the accounts. Conversely, if such hedges generate losses in any month or quarter, the Adviser may liquidate a portion of the account's core investment portfolio to cover such losses. While the account may hedge its overall currency exposure, there can be no assurance that such hedges will be effective.

## **Use of Leverage**

Some accounts may utilize leverage. Leverage will result in the account owning substantially more assets than the account has equity. Leverage will increase the account's returns if the account earns a greater return on investments purchased with borrowed funds than such account's cost of borrowing such funds. However, the use of leverage will expose the account to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the account not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the account's cost of borrowing such funds. In the event of

a sudden, precipitous drop in value of the account's assets, the account may not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses.

The Adviser may fail to adequately predict the liquidity which the accounts require in order to satisfy counterparty requirements due to falling values of investments being financed by such counterparties, which could result not only in losses related to such investments, but in losses related to the need to liquidate unrelated investments in order to meet the obligations of the account. The account may incur substantial losses in the event significant capital is invested in highly leveraged investments or investment strategies.

There can be no assurance that the Adviser will be able to maintain adequate financing arrangements under all market circumstances. The Adviser may find it difficult or impossible to obtain leverage for an account, thereby making it difficult for the Adviser to implement such account's strategy if the use of leverage is an integral part of such investment strategy. In addition, any leverage obtained, if terminated on short notice by the lender, could result in the Adviser being forced to unwind positions quickly and at prices below what the Adviser deems to be fair value for the positions.

### **Securities Lending**

Under standard prime brokerage agreements, accounts' securities held in margin accounts may be pledged, repledged, sold, hypothecated or rehypothecated or become subject to repurchase agreements. These transactions may limit the accounts' ability to exercise voting or other attendant rights of ownership with respect to the loaned or pledged securities.

The accounts may also lend certain "hard to borrow" securities to its prime brokers pursuant to securities lending agreements. The accounts receive fee income for these transactions and cash or cash equivalent collateral based on the market price of the loaned securities. These collateral amounts are adjusted on a daily basis to reflect changes in the market value of the loaned securities. Risks in lending portfolio securities are similar to the risks associated with other extensions of secured credit, including possible delays in receiving additional collateral, or in the recovery of the securities, or possible loss of rights in the collateral should the prime broker fail financially. In certain circumstances, such loans may limit the accounts' ability to exercise voting or other attendant rights of ownership with respect to the loaned securities.

The accounts may engage in reverse repurchase agreements transactions with banks, brokers and other financial institutions. Under these agreements, the accounts sell a security at a specified price with an agreement to purchase the same or substantially the same security from the same counterparty at a fixed or determinable price in the future. Reverse repurchase agreements involve the risk that the market value of the securities sold by the accounts may decline below the repurchase price of the securities. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, such buyer or its trustee or receiver may receive an extension of time to determine whether to enforce the accounts' obligation to repurchase the securities and the accounts' use of the proceeds of the reverse repurchase agreement may effectively be restricted pending such decision.

### **Hedging Risk**

Hedged portfolios are not risk-free. The types of trading risks incurred by hedged strategies generally relate to either spreads, or price differentials between related securities and/or their derivatives, or the volatility of security prices or spreads, or the level of market liquidity. At times of heightened systemic market risk, these hedged risks tend to increase, which may lead to underperformance of a hedged portfolio. In addition, other risks common to such a portfolio may include credit spread risk and credit default risk. The market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments. In addition, hedged accounts may suffer basis risk between its investments and its hedges, such that for a period of time, as a result of market instability or illiquidity an investment and a hedge designed to move in opposite directions may move in the same direction, creating a loss that may otherwise not have occurred.

## **C. Risks Associated with Types of Securities that are Primarily Recommended (Including Significant, or Unusual Risks)**

### **High-Yield Securities and Other Instruments**

The accounts may invest in “high-yield” loans, bonds, preferred securities and other instruments that are rated below investment grade by Moody’s, S&P or other rating agencies, or are not rated by any rating agency. Investments in such lower rated instruments are subject to greater risk of loss as to timely repayment of principal and timely payment of interest or dividends than higher-rated securities. They are also generally considered to be subject to greater risk than investments with higher ratings in the case of deterioration of general economic conditions. The yields and prices of lower-rated instruments may tend to fluctuate more than those for higher-rated instruments.

In addition, adverse publicity and/or negative investor perceptions about lower-rated instruments, whether or not based on fundamental analysis, may be a contributing factor in a decrease in their value and liquidity.

High-yield instruments that are rated BB+ or lower by S&P or Ba1 or lower by Moody’s are often referred to in the financial press as “junk bonds” and may include instruments of issuers in default. “Junk bonds” are considered by the rating agencies to be predominantly speculative and may involve major risk exposures such as: (i) vulnerability to economic downturns and changes in interest rates; (ii) sensitivity to adverse economic changes and corporate developments; (iii) redemption or call provisions that may be exercised at inopportune times; and (iv) difficulty in accurately valuing or disposing of such instruments.

### **Small to Medium Capitalization Companies**

The accounts may invest in the stocks of companies with small-to medium-sized market capitalizations. While the Adviser believes these investments often provide significant potential for appreciation, such stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of such stocks are often more volatile than prices of large-capitalization stocks. In addition, due to thin trading in some such stocks, an investment in these stocks may be less liquid than an investment in larger capitalization stocks.

### **Asset-Backed Securities**

A portion of the accounts’ investments may be in asset backed securities (“ABS”). The structure of ABS, and the terms of the investors’ interest in the underlying collateral, can vary widely depending on the type of collateral, the desires of investors and the use of credit enhancements. Individual transactions can differ markedly in both structure and execution. Important determinants of the risk associated with issuing or holding ABS include (i) the relative seniority or subordination of the class of ABS held by an investor, (ii) the relative allocation of principal and interest payments in the priorities by which such payments are made under the governing documents, (iii) the effect of credit losses on both the issuing vehicle and investors’ returns, (iv) whether the underlying collateral represents a fixed set of specific assets or accounts, (v) whether the underlying collateral assets are revolving or closed-end, (vi) the terms (including maturity of the ABS) under which any remaining balance in the accounts may revert to the issuing vehicle, and (vii) the extent to which the entity that sold the underlying collateral to the issuing vehicle is obligated to provide support to the issuing vehicle or to investors. With respect to some types of ABS, the foregoing risks are more closely correlated with similar risks on corporate bonds with similar terms and maturities than with the performance of a pool of similar assets.

In addition, certain ABS (particularly subordinated ABS) provide that the non-payment of interest thereon in cash does not constitute an event of default in certain circumstances, and the holders of such ABS will not have available to them any associated default remedies. Interest not paid in cash will generally be capitalized and added to the outstanding principal balance of the related security. Deferral of interest through such capitalization will reduce the yield on such ABS.

Holders of ABS bear various risks, including credit risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks and legal risks. Credit risk arises from (i) losses due to defaults by obligors under the underlying collateral and (ii) the issuing vehicle's or servicer's failure to perform their respective obligations under the transaction documents governing the ABS. These two risks may be related, as, for example, in the case of a servicer that does not provide adequate credit-review scrutiny to the underlying collateral, leading to a higher incidence of defaults.

Market risk arises from the cash flow characteristics of the ABS, which for most ABS tend to be predictable. The greatest variability in cash flows comes from credit performance, including the presence of wind-down or acceleration features designed to protect the investor in the event that credit losses in the portfolio rise well above expected levels.

Interest rate risk arises for the issuer from (i) the pricing terms on the underlying collateral, (ii) the terms of the interest rate paid to holders of the ABS, and (iii) the need to mark to market the excess servicing or spread account proceeds carried on the issuing vehicle's balance sheet. For the holder of the security, interest rate risk depends on the expected life of the ABS, which may depend on prepayments on the underlying assets or the occurrence of wind-down or termination events. If the servicer becomes subject to financial difficulty or otherwise ceases to be able to carry out its functions, it may be difficult to find other acceptable substitute servicers and cash flow disruptions or losses may occur, particularly with underlying collateral comprised of non-standard receivables or receivables originated by private retailers who collect many of the payments at their stores.

Structural and legal risks include the possibility that, in a bankruptcy or similar proceeding involving the originator or the servicer (which are often the same entity or affiliates), a court having jurisdiction over the proceeding could determine that, because of the degree to which cash flows on the assets of the issuing vehicle may have been commingled with cash flows on the originator's other assets (or similar reasons), (i) the assets of the issuing vehicle could be treated as never having been truly sold by the originator to the issuing vehicle and could be substantively consolidated with those of the originator, or (ii) the transfer of such assets to the issuer could be voided as a fraudulent transfer. The time and expense related to a challenge of such a determination also could result in losses and/or delayed cash flows.

### **Structured Finance Securities**

The accounts may invest in structured finance securities such as, for example, equipment trust certificates, collateralized debt obligations, collateralized mortgage obligations, collateralized bond obligations, collateralized loan obligations or similar instruments. Structured finance securities may present risks similar to those of the other types of investments in which the accounts may invest and, in fact, such risks may be of greater significance in the case of structured finance securities. Moreover, investing in structured finance securities may entail a variety of unique risks. Among other risks, structured finance securities may be subject to prepayment risk. In addition, the performance of a structured finance security will be affected by a variety of factors, including its priority in the capital structure of the issuer thereof, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets.

### **Loan Assignments and Participations**

The accounts may invest in corporate loans acquired through assignment or participation. In purchasing participations, the accounts will usually have a contractual relationship only with the selling institution, and not the borrower. The accounts generally will have no right directly to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor will they have the right to object to certain changes to the loan agreement agreed to by the selling institution. The account may not directly benefit from the collateral supporting the related secured loan and may be subject to any rights of set-off the borrower has against the selling institution.

In addition, in the event of the insolvency of the selling institution, under the laws of the United States and the states thereof, the accounts may be treated as general creditors of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the secured loan. Consequently, the accounts may be subject to the credit risk of the selling institution as well as of the borrower. Certain loans or loan participations may be governed by the laws of a jurisdiction other than a United States jurisdiction, which may present additional risks as regards the characterization under such laws of such participation in the event of the insolvency of the selling institution or the borrower.

### **Risks of Lending**

The value of the accounts' investments in loans may be detrimentally affected to the extent a borrower defaults on its obligations, there is insufficient collateral and/or there are extensive legal and other costs incurred in collecting on a defaulted loan. The Adviser may attempt to minimize this risk by maintaining low loan-to-liquidation values with each loan and the collateral underlying the loan. However, there can be no assurance that the value assigned by the Adviser to collateral underlying a loan held by the accounts will be realized upon liquidation, nor can there be any assurance that collateral will retain its value. In addition, certain of accounts' loans will be supported, in whole or in part, by personal guarantees made by the borrower or an affiliate, or guarantees made by a corporation affiliated with the borrower. The amount realizable with respect to a loan may be detrimentally affected if a guarantor fails to meet its obligations under the guarantee. Moreover, the value of collateral supporting loans may fluctuate. In addition, active lending/origination by the accounts may subject them to additional regulation as well as possible adverse tax consequences. The Adviser will seek to adopt appropriate procedures to minimize such risk, however there is no assurance that these procedures will be effective. Finally, there may be a monetary, as well as a time, cost involved in collecting on defaulted loans and, if applicable, taking possession of and subsequently liquidating various types of collateral.

### **Credit Derivatives**

The accounts may invest in credit derivatives. Credit derivatives are contracts that transfer price, spread and/or default risks of debt and other instruments from one party to another. Such instruments may reference one or more debtors or may reference indexes of underlying debtors. Payments under credit derivatives may be made during the exercise period of the contracts. Payments under many credit derivatives are triggered by credit events such as bankruptcy, default, restructuring, failure to pay, cross default, or acceleration. Such payments may be for notional amounts, actual losses or amounts determined by formula.

The market for credit derivatives is relatively illiquid, and there are considerable risks that may make it difficult either to buy or sell the contracts as needed or at reasonable prices. The buyers of credit derivatives carry the risk of non-performance by the seller due to inability to pay. There are also risks with respect to credit derivatives in determining whether an event will trigger payment under the derivative and whether such payment will offset the loss or payment due under another instrument. In the past, buyers and sellers of credit derivatives have found that a trigger event in one contract may not match the trigger event in another contract, exposing the buyer or the seller to further risk. The value of this type of instrument depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to trading derivatives related to such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement may not only result in the loss of the entire investment, but may also expose the accounts to the possibility of a loss exceeding the original amount invested or deposited. There can be no assurance that derivatives that the accounts wish to acquire will be available at any particular times, at satisfactory terms or at all.

### **Credit Default Swaps**

A particular type of credit derivative that the accounts may use is a credit default swap. The accounts may enter into credit default swaps as a “buyer.” The “buyer” in a credit default swap contract is obligated to pay the “seller” a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying debt security or other obligation upon which the credit default swap is based (the “Reference Obligation”).

Generally, a “credit event” means bankruptcy, failure to pay, acceleration or restructuring relating to the Reference Obligation. If a credit event occurs, the “seller” typically must pay the contingent payment to the “buyer,” which is typically the full notional value of the Reference Obligation. The contingent payment may be payment of the face amount of the obligation in return for physical delivery of the Reference Obligation or cash settlement of the difference between the face amount of the Reference Obligation and its market value. Thus, if a credit event occurs, the accounts should receive the full notional value of the underlying Reference Obligation. If no credit event occurs, the accounts may incur losses and if the market value of the underlying position increases, the accounts may incur significant losses. The “buyer” of credit default swaps may also incur a loss if the “seller” fails to perform on its obligation should a credit event occur. In certain circumstances, the “buyer” can receive the notional value of a credit default swap only by delivering a physical security to the “seller,” and is at risk if deliverable securities are unavailable or illiquid.

The accounts may also enter into credit default swaps as a “writer” or a “seller.” To the extent the credit default swap contains inherent leverage, it involves greater risks than if the accounts had invested in the Reference Obligation directly. If a credit event were to occur, the value of the Reference Obligation received by the “seller,” coupled with the periodic payments previously received, may be less than the full notional value it pays to the “buyer,” resulting in a loss of value to the accounts. The “seller” of credit default swaps may also incur a loss if the “buyer” fails to perform on its obligation to make payments under the swap agreements.

### **Derivative Financial Instruments and Techniques**

The accounts may invest in derivative financial instruments. The risks posed by such instruments and techniques, which can be extremely complex and may involve leveraging of the accounts’ assets, include: (1) credit risks (i.e., the exposure to the possibility of loss resulting from a counterparty’s failure to meet its financial obligations); (2) market risk (e.g., adverse movements in the price of a financial asset); (3) legal risks (e.g., the characterization of a transaction or a party’s legal capacity to enter into it could render the financial contract unenforceable, and the insolvency or bankruptcy of a counterparty could preempt otherwise enforceable contract rights); (4) operations risk (e.g., inadequate controls, deficient procedures, human error, system failure or fraud); (5) documentation risk (exposure to losses resulting from inadequate documentation); (6) liquidity risk (exposure to losses created by inability to prematurely terminate the derivative); (7) system risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (8) concentration risk (exposure to losses from the concentration of closely related risks such as exposure to a particular industry or exposure linked to a particular entity); and (9) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty).

Use of derivatives and other techniques such as short sales for hedging purposes involves certain additional risks, including (i) dependence on the ability to predict movements in the price of the securities hedged; (ii) imperfect correlation between movements in the securities on which the derivative is based and movements in the assets of the underlying portfolio; and (iii) possible impediments to effective portfolio management or the ability to meet short-term obligations because of the percentage of a portfolio’s assets segregated to cover its obligations. In addition, by hedging a particular position, any potential gain from an increase in value of such position may be limited.

### **Synthetic Securities**

In addition to credit risks associated with holding non-investment grade loans and high yield debt securities, with respect to synthetic securities, the accounts will usually have a contractual relationship only with the counterparty of such synthetic securities, and not the obligor on a Reference Obligation (the "Reference Obligor"). The accounts generally will have no right to directly enforce compliance by the Reference Obligor with the terms of the Reference Obligation nor any rights of off-set against the Reference Obligor, nor have any voting rights with respect to the Reference Obligation. The accounts will not benefit directly from the collateral supporting the Reference Obligation or have the benefit of the remedies that would normally be available to a holder of such Reference Obligation. In addition, in the event of insolvency of the counterparty, the accounts may be treated as a general creditor of such counterparty, and will not have any claim against the assets of the Reference Obligor. As a result, concentrations of synthetic securities in any one counterparty subject the notes to an additional degree of risk with respect to defaults by such counterparty as well as by the Reference Obligor. The Adviser will not normally perform independent credit analyses of the counterparties, any such counterparty, or an entity guaranteeing such counterparty, individually or in the aggregate.

### **Options**

The accounts may invest in options. The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

### **Short Sales**

The accounts may enter into short sales. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the accounts' portfolios. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

### **Non-U.S. Securities**

Investing in securities of non-U.S. governments and companies that are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involve certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States Government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

## **Futures**

The accounts may invest in futures. Futures prices are highly volatile, with price movements being influenced by a multitude of factors such as supply and demand relationships, government trade, fiscal, monetary and exchange control policies, political and economic events and emotions in the marketplace. Futures trading is also highly leveraged. Further, futures trading may be illiquid as a result of daily limits on movements of prices. Finally, the accounts' futures trading could be adversely affected by speculative position limits.

## **D. Additional Risks Relating to the Adviser**

### **Cybersecurity Risk**

The information and technology systems of the Adviser and of key service providers to the Adviser may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Adviser has implemented various measures designed to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for the Adviser to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of the Adviser and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information.

### **Risk Management Failures**

Although the Adviser attempts to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Moreover, many risk management techniques, including those employed by the Adviser, are based on historical market behavior, but future market behavior may be entirely different and, accordingly, the risk management techniques employed on behalf of the clients may be incomplete or altogether ineffective. Similarly, the Adviser may be ineffective in implementing or applying risk management techniques. Any inadequacy or failure in risk management efforts could result in material losses to the clients.

### **Systems and Operational Risk**

The Adviser relies heavily on certain financial, accounting, data processing and other operational systems and services that are employed by the Adviser and/or by third party service providers, including custodians, market counterparties and others. Many of these systems and services require manual input and are susceptible to error. These programs or systems may be subject to certain defects, failures or interruptions. For example, the Adviser and client accounts could be exposed to errors made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or related to other similar disruptions in the Adviser's or service provider's operations. In addition, despite certain measures established by the Adviser and third party service providers to safeguard information in these systems, the Adviser, the clients and their third party service providers are subject to risks associated with a breach in cybersecurity, which may result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. Any such errors and/or disruptions may lead to financial losses, the disruption of the client trading activities, liability under applicable law, regulatory intervention or reputational damage.

## **Item 9. Disciplinary Information**

This item is not applicable.

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

The Adviser's management personnel will be equity owners and control persons of insurance companies. These insurance companies will also be clients of the Adviser. The Adviser may have an incentive to favor the accounts of clients in which the Adviser or its control persons have an ownership or financial interest.

Please refer to Item 6 for further information regarding the policies and procedures that the Adviser has adopted to address the potential conflicts presented by the Adviser's management of multiple accounts.

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

### **A. Code of Ethics.**

Pursuant to Rule 204A-1 of the Advisers Act, the Adviser has adopted a Code of Ethics (the "Code") that obligates the Adviser and its supervised persons to put the interests of the Adviser's clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. The Code includes provisions regarding general standards of conduct, as well as a number of specific issues including compliance with federal securities laws; personal trading of securities; private investments by employees; employee outside business activities; and gifts and entertainment. Each of the Adviser's principals and employees must acknowledge their understanding of, and agree to comply with, the Code initially upon employment and affirm on an annual basis that they have read and understand the Code and have complied with it. In addition to compliance with the Adviser's policies and procedures, all of the Adviser's personnel are required to comply with applicable federal securities laws. The Adviser will provide a copy of the Code to clients or prospective clients upon request. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by the Adviser's supervised persons.

The Adviser and its supervised persons may give and/or receive gifts, services or other items to/from any person or entity that does business with or potentially could conduct business with or on behalf of the Adviser. The Adviser has adopted policies and procedures governing gifts and business entertainment, which includes quarterly disclosure of gifts and business entertainment in excess of certain de minimis thresholds and pre-clearance by the Chief Compliance Officer prior to giving/receiving gifts above a certain de minimis threshold.

If the Adviser comes into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of clients, the Adviser will be prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to its clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the client or using such information for the client's benefit. In such circumstances, the Adviser will have no responsibility or liability to the client for not disclosing such information (or the fact that the Adviser possesses such information) to the client, or not using such information for the client's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

### **B. Investing in Securities Recommended to Clients.**

In addition, the Adviser or its supervised persons may invest in the same securities (or related securities) that the Adviser or a supervised person recommends to clients. The Adviser or its supervised persons may trade in a particular security in a manner that is the same as, different from, or even opposite to the trading activity undertaken by the Adviser on behalf of its clients with respect to that same security. Such

practices present a conflict when, because of the information an Adviser has, the Adviser or its supervised persons are in a position to trade in a manner that could adversely affect the Adviser's clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients' trades). In addition to affecting the Adviser's or its supervised persons' objectivity, these practices by the Adviser or its supervised persons may also harm clients by adversely affecting the price at which the clients' trades are executed. The Adviser has adopted certain procedures in an effort to minimize such conflicts. The Adviser requires its supervised persons to preclear transactions in their personal accounts (with certain exceptions for mutual funds, ETFs and certain liquid listed securities) with the Chief Compliance Officer, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its clients. In addition, the Adviser's Code prohibits the Adviser or its supervised persons from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer. In addition, employees may not acquire securities for their own account in an initial public offering or private placement without pre-approval from the Chief Compliance Officer. All of the Adviser's supervised persons are required to disclose their securities transactions on a quarterly basis. In addition, the Adviser's supervised persons are required to disclose the holdings in their personal accounts upon commencement of employment with the Adviser and on an annual basis thereafter. The Adviser's supervised persons are required to provide broker account statements containing each transaction in which they engage. Trading in the personal accounts of the Adviser's supervised persons is reviewed by the Chief Compliance Officer.

To the extent that the Adviser or a related person or any personnel of the Adviser own securities that the Adviser or its related persons also recommends to clients, such clients' proxies will be voted according to predetermined guidelines rather than subject to the Adviser's (or its related person's) discretion. Please refer to Item 17 for further information regarding the Adviser's proxy voting policy and procedures.

## **Item 12. Brokerage Practices**

### **A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.**

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include, but are not limited to, financial stability of the broker; the actual executed price of the security and the broker's commission rates; research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis), custodial and other services provided by such brokers and/or dealers that are expected to enhance the Adviser's general portfolio management capabilities; the size and type of the transaction; the difficulty of execution and the ability to handle complex or difficult trades; the operational facilities of the brokers and/or dealers involved (including back office efficiency); and the ability to handle block orders for securities and distribution capabilities. In selecting a broker-dealer to execute transactions (or a series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. The Adviser's Chief Compliance Officer evaluates the broker-dealers used by the Adviser to execute client trades using the foregoing factors.

#### **1. Research and Other Soft Dollar Benefits.**

The Adviser may receive research or other products or services other than execution from a broker-dealer and/or a third party in connection with client securities transactions. This is known as a "soft dollar" relationship. The Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended ("Section 28(e)").

Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

When the Adviser uses client commissions to obtain Section 28(e) eligible research and brokerage products and services, the Adviser periodically reviews and evaluates soft dollar practices and determines in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or the Adviser's overall responsibilities to the accounts or portfolios over which the Adviser exercises investment discretion.

The Adviser may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for clients.

The use of client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

Research and brokerage services obtained by the use of commissions arising from a client's portfolio transactions may be used by the Adviser in its other investment activities, including, for the benefit of other clients. The Adviser does not allocate soft dollar benefits to clients proportionately to the soft dollar credits the clients generate.

In some instances, the Adviser may obtain a product or service that is used, in part, by the Adviser for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, the Adviser will make a good faith effort to determine the relative proportion of the product or service used to assist the Adviser in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The basis for such determination shall be documented. The proportion of the product or service attributable to assisting the Adviser in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Adviser from its own resources. The determination by the Adviser of the appropriate allocation of "mixed use" products and services creates a potential conflict of interest between the Adviser and clients.

## **B. Order Aggregation.**

The Adviser often purchases or sells the same security for multiple clients at or near the same time and using the same executing broker. It is the Adviser's practice, where appropriate, to aggregate client orders for the purchase or sale of the same security at or near the same time with the same executing broker. Such aggregation may enable the Adviser to obtain for clients a more favorable price or a better

commission rate based upon the volume of a particular transaction. However, in cases where the client has negotiated the commission rate directly with the broker, the Adviser will not be able to obtain more favorable commission rates based on an aggregated trade. In such cases, the client will be precluded from receiving the benefit of any possible commission discounts that might otherwise be available as a result of the aggregated trade. In cases where trading or investment restrictions are placed on a client's account, the Adviser may be precluded from aggregating that client's transaction with others. In such a case, the client may pay a higher commission rate and/or receive less favorable prices than clients who are able to participate in an aggregated order.

When an aggregated order is completely filled, the Adviser allocates the securities purchased or proceeds of sale pro rata among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. To the extent an order is price-averaged, a client account participating in the trade may pay a higher price than if the Adviser did not aggregate the order. If an aggregated order is only partially filled, the Adviser's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair to clients.

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

Client investments are reviewed by the Chief Executive Officer of the Adviser on an ongoing basis to determine whether securities positions should be maintained in light of current market conditions. Client accounts are also reviewed to ensure consistency with client investment guidelines and objectives and applicable law and regulations.

Clients will receive written reports from the Adviser as set forth in the investment management agreements entered into between the client and the Adviser.

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

The Adviser does not currently have any arrangements in place to compensate anyone, or be compensated by anyone, for the referral of clients.

#### **Item 15. Custody**

Clients may receive account statements directly from broker-dealers, banks and/or other qualified custodians. Clients should carefully review those statements.

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

The Adviser provides investment advisory services on a discretionary basis to clients. Except as imposed by regulatory requirements, clients generally do not have the ability to place any limits on the Adviser's authority beyond the limitations set forth in the applicable investment management agreement. Prior to assuming full discretion in managing a client's assets, the Adviser will enter into an investment management agreement or other agreement that will set forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary client, the Adviser has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines), and (ii) the amount of securities to be purchased or sold for the client account. Because of the differences in client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among clients in invested positions and securities held. The Adviser may consider the following factors, among others, in allocating securities among clients: (i) a client's investment objectives and strategies; (ii) risk profiles; (iii) tax status and restrictions placed on a client's

portfolio by the client or by applicable law; (iv) size of the client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows. Although it is the Adviser's policy to allocate investment opportunities to eligible client accounts on a pro rata basis (based on the value of the assets of each participating account relative to value of the assets of all participating accounts), the above factors may lead the Adviser to allocate securities to client accounts in varying amounts. Even client accounts that are typically managed on a pari passu basis may from time to time receive differing allocations of securities based on the total assets of each account eligible to invest in the particular investment type (e.g., equities) divided by the total assets of all accounts eligible to invest in the particular investment.

Allocations will be made among client accounts eligible to participate in initial public offerings (IPOs) and secondary offerings on a pro rata basis, except when the Adviser determines in its discretion that a pro rata allocation is not appropriate, which may include a client's investment guidelines explicitly prohibiting participation in IPOs or secondary offerings and a client's status as a "restricted person" under applicable regulations.

Securities acquired by the Adviser for its clients through a limited offering will be allocated pursuant to the procedures set forth in the Adviser's allocation policy. The policy provides that the Adviser will determine the proposed allocation of limited offering securities after considering the factors described above with respect to general allocations of securities and determining those client accounts eligible to hold such securities. Eligibility will be based on the legal status of the clients and the clients' investment objectives and strategies.

The Adviser may effect cross transactions between discretionary client accounts, except as otherwise noted below. Cross transactions enable the Adviser to effect a trade between two clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created through entrance into the market and saving commission costs for both accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. The Adviser has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. Cross transactions between client accounts are not permitted if they would constitute principal trades or trades for which the Adviser or its affiliates are compensated as a broker unless client consent has been obtained based upon written disclosure to the client of the capacity in which the Adviser or its affiliates will act. In addition, cross transactions are not permitted for benefit plan or other similar accounts that are subject to ERISA.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors occur, the Adviser's error correction procedure is to ensure that clients are treated fairly. The Adviser has discretion to resolve a particular error in any manner that it deems appropriate and consistent with the above stated policy. In the event that a client account incurs losses resulting from a trade error resulting from the Adviser's gross negligence, willful misconduct or violation of the standard of care that is applicable to the client account, the Adviser will reimburse the client. Otherwise, losses resulting from a trade error that does not result from the Adviser's gross negligence, willful misconduct or other standard of care applicable to the client account will be borne by the client account. The Adviser is not responsible for the errors of other persons, including third party brokers and custodians, unless otherwise expressly agreed to by the Adviser.

To the extent the Adviser has authority, pursuant to the investment management agreement or other governing documents of a client account, to participate in class action claims (each, a "Claim") it will do so on a case-by-case basis. Once the Adviser receives notice of a potential Claim, the Adviser or its designee will determine whether any clients or former clients of the Adviser owned the security during the period covered by the potential Claim. Appropriate personnel of the Adviser or the Adviser's designee will determine whether they agree with the basis of the Claim and whether or not to participate in the Claim depending upon (i) the nature of the Claim; (ii) prospects for recovery; (iii) resources required to pursue

the Claim, (iv) other relevant factors pertaining to the particular Claim and (v) any other factors that the Adviser deems relevant.

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

The Adviser has established proxy voting policies and procedures that are designed to ensure that proxies are voted in the best interests of its clients. The Adviser will determine whether a proposal is in the best interests of the client and may take into account the following factors, among others: (i) whether the proposal was recommended by management and the Adviser's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance.

The Adviser will abstain from voting (i.e., affirmatively decide not to vote) if the Adviser determines that abstention (or not voting) is in the best interests of the client. In making this determination, the Adviser will consider various factors including without limitation (i) the costs associated with exercising the proxy (e.g., translation or travel costs), and (ii) any legal restrictions on trading resulting from the exercise of a proxy. The Adviser may determine not to vote proxies relating to securities in which clients have no position as of the date the proxy is received by the Adviser (for example, when the Adviser has sold, or has otherwise closed, a client position after the proxy record date but before the proxy receipt date).

Clients may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a client's proxies by contacting the Chief Compliance Officer of the Adviser by telephone at (203) 302-1700 or by email at [tom.fritsch@hamllc.com](mailto:tom.fritsch@hamllc.com).

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

This item is not applicable.

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