



## **New England Asset Management, Inc.**

### **Form ADV Part 2A August 29, 2019**

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This brochure provides information about the qualification and business practices of New England Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us at 860-676-8722. 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.

New England Asset Management, Inc. is a registered investment adviser, registered with the United States Securities and Exchange Commission under the Investment Advisers Act of 1940. This designation does not imply a certain level of skill or training.

Additional information about New England Asset Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## **Item 2 - Material Changes**

NEAM offers through an outsourced sub-advisory arrangement the following strategies: (1) U.S. Opportunistic High Yield; (2) Upper Tier U.S. High Yield; and (3) a customized High Yield strategy.

NEAM receives compensation through a revenue-sharing arrangement.

More information of the changes can be found in the following sections: (1) Types of Services Offered under Advisory Business; (2) Fee and Compensation; (3) Minimum Account Size under Types of Clients; (4) Investment Process, Other Investment Strategies and Disclosure of Risks under Methods of Analysis, Investment Strategies and Risk of Loss; and (5) Client Referrals and Other Compensation of this Brochure compared to the last annual update on March 30, 2019.

Our Brochure may be requested at any time, free of charge, by contacting our Chief Compliance Officer at 860-676-8722 or [karen.morais@neamgroup.com](mailto:karen.morais@neamgroup.com).



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## **Item 4 - Advisory Business**

New England Asset Management, Inc. (“NEAM”) is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940. We specialize in offering investment management services primarily to the insurance industry.

NEAM was founded under the name of New England Asset Management in 1984. In 1995, NEAM was acquired by General Re Corporation and renamed General Re - New England Asset Management, Inc. In 1998, General Re Corporation was acquired by Berkshire Hathaway Inc. In 2016, General Re - New England Asset Management, Inc. was renamed New England Asset Management, Inc.

### **Types of Services Offered**

#### **Asset Management Services**

NEAM provides asset management services primarily to insurance company clients. The services provided are specified in a written Investment Management Agreement (“IMA”) between NEAM and each client. Clients authorize NEAM to monitor and direct the investment of securities on a discretionary or non-discretionary basis in the IMA and/or in accordance with written client investment guidelines and other written client instructions or restrictions. NEAM provides clients with periodic market commentary and investment research pieces at no additional charge.

#### **Fixed Income Mandates**

The majority of discretionary NEAM client portfolios are investment grade fixed income mandates. These portfolios are actively managed on a separate account basis relative to either a broad market or customized benchmark.

#### **High Yield Strategy**

NEAM, through a sub-advisory arrangement, offers the following strategies: (1) U.S. Opportunistic High Yield Fund (B & CCC rated bonds and bank loans); (2) Upper Tier U.S. High Yield Fund (BB & B rated bonds) and (3) a customized strategy tailored for clients based on their desired exposures to the leveraged credit markets.

Clients who invest in these strategies will receive the sub-adviser’s Form ADV Part 2A from NEAM and should review it for more information about the sub-adviser’s strategies, risks and potential conflicts of interest.

#### **Preferred Securities Strategy**

NEAM’s Preferred Securities strategy seeks to generate high levels of after-tax investment income and competitive, risk adjusted total returns through the use of preferred stocks.

#### **Structured Products Yield Enhancement Strategy**

NEAM’s Structured Products Yield Enhancement strategy is a specialized income-driven total return strategy aimed at higher yielding fixed income opportunities within the structured securities sector.



### **Equity Mandates**

NEAM offers the Focused Value Equity Management strategy ("FVEM"), the Dividend Select equity strategy ("Dividend Select") and ETF strategies that provide equity exposure to specific sectors, markets and/or geographic regions.

### **Investment Accounting and Reporting Services**

In addition to providing asset management services, NEAM offers investment accounting and reporting services to insurance company advisory and non-advisory clients. This includes assistance in Schedule D data preparation on an annual and quarterly basis.

### **Enterprise Capital Return and Risk Management<sup>®</sup> Services**

NEAM's Enterprise Capital Return and Risk Management (ECRRM<sup>™</sup>) services provide a framework and analytics to assist insurance company clients in achieving their capital management financial goals and enterprise risk management objectives. The primary deliverable within ECRRM<sup>™</sup> is an asset allocation analysis customized to the unique needs of insurance companies, called Enterprise Based Asset Allocation<sup>™</sup> (EBAA<sup>™</sup>).

### **Capital and Risk Analytic (CARA<sup>®</sup>) Platform**

The CARA platform is a web-based investment risk management platform that allows clients to monitor and evaluate their investment portfolios on a daily basis.

### **Pooled Investment Vehicles/Private Funds**

NEAM serves as collateral manager for three collateralized debt obligations ("CDOs"). The interests in these funds are privately placed security offerings that are exempt from registration under the Securities Act of 1933, and the funds are exempt from registration under the Investment Company Act of 1940.

### **Tailored Advisory Services**

NEAM tailors its advisory services to meet the unique needs of its clients' situation. This is done on a separate account basis by developing investment strategies within guideline constraints unique to each client.

Clients may impose restrictions on investing in certain securities or types of securities by specifying in their investment guidelines and/or by notifying NEAM in writing.

### **NEAM's Assets Under Management as of 12/31/2018**

Discretionary	\$67,406,143,332
Non-Discretionary	<u>\$15,598,682,856</u>
Total Assets Under Management	\$83,004,826,188

### **Item 5 - Fees and Compensation**

Fees charged by NEAM are specified in a fee schedule within an IMA signed with each client. All fees are subject to negotiation.



### **Fixed Income Mandates**

The standard advisory fees generally range up to 25 basis points for fixed income institutional mandates, subject to an annual minimum fee which varies based on the agreed upon fee schedule.

### **High Yield Strategies**

The standard fee schedules for managing high yield portfolios are based on strategy as specified below:

Sub-advised **Upper Tier U.S. High Yield Strategy**  
40 basis points of the market value of asset managed.

Sub-advised **U.S. Opportunistic High Yield Strategy**  
50 basis points of the market value of assets managed.

### **Preferred Securities Strategy**

The standard fee is 35 basis points on the first \$25 million and 30 basis points thereafter.

### **Structured Products Yield Enhancement Strategy**

The standard fee is 25 basis points on the first \$250 million and 20 basis points thereafter.

### **Equity Mandates**

NEAM's standard fees for managing equity portfolios are based on strategy as specified below:

**Focused Value Equity Management (FVEM) Strategy**  
70 basis points on the first \$25 million of market value of assets managed;  
55 basis points on the next \$25 million of market value of assets managed; and  
40 basis points above \$50 million of market value of assets managed.

**Dividend Select Strategy**  
50 basis points of market value of assets managed.

### **ETF Strategies**

Fees are negotiated depending on the composition and the size of mandate.

### **Enterprise Capital Return and Risk Management<sup>®</sup> Services**

Additional fees for ECRRM<sup>™</sup> services are assessed depending on the level of complexity and scope of the assignment.

### **Capital and Risk Analytics (CARA<sup>®</sup>) Platform**

Fees are inclusive of access to the CARA<sup>®</sup> platform for managed assets. There is an additional fee subject to negotiation for client's unmanaged assets on the CARA<sup>®</sup> platform that is fully agreed upon and disclosed to the client. The fee factors vary depending on frequency of pricing, size and nature of unmanaged assets.



### **Investment Accounting Services**

The standard fee is 1 basis point on the market value of assets managed by NEAM and accounted for, and 2 basis points on unmanaged assets but accounted for, and is, on occasion, included in the overall asset management fee. The investment accounting services are subject to a minimum annual fee which varies, based on the agreed upon fee schedule. Depending on data quality and the date that investment accounting services begin, a one-time flat fee for conversion of the investment data into NEAM's accounting system could be charged.

### **Additional Fee Considerations**

NEAM's fees are billed to clients one month in arrears of quarter end, unless other billing cycle terms are agreed to in writing with the client. NEAM sends quarterly invoices directly to clients for payment of fees, based on the market value of the assets as of the close of business on the last day of each month, unless other valuation sources are agreed to in writing with the client.

Accounts initiated or terminated during a calendar quarter are charged a prorated fee. Upon termination of the IMA, since fees are billed in arrears, clients will not receive a refund of advisory fees and any earned, unpaid fees will be due and payable. If the IMA is terminated prior to month end, the fees for the final partial month are prorated and calculated based on the prior month end valuation.

NEAM abides by a client's written directive to have NEAM's fees paid directly from their custodian account. For such arrangements, NEAM sends the quarterly invoice to the client's custodian with a copy to the client. The fees are deducted from the client's custody account by the custodian and sent to NEAM.

NEAM receives no additional fees other than those documented in writing with its clients. However, in addition to NEAM's fees, clients will incur custodial fees, brokerage commissions for equity transactions, fixed income commissions (included in net price of bonds) and other costs and expenses related to securities transactions.

Mutual funds may have conditions or restrictions regarding the purchase or holding of fund shares, including minimum purchase requirements and fees for redemption of shares within a specified period. Clients should carefully review the fund's prospectus for details pertaining to fees and expenses. The management fees and other expenses associated with mutual funds and ETF's are exclusive of and in addition to NEAM's fee, and NEAM does not receive any portion of such fees.

Item 12 further describes brokerage practices, including brokerage and other transactions costs.

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

Clients should be aware that performance-based fee arrangements may create an incentive to recommend investments which might be riskier than those which would be recommended under a different type of fee arrangement.



NEAM serves as collateral manager for three CDOs that provide for the payment of performance-based fees subject to certain criteria or targets under the terms of the transactions. NEAM is not currently receiving any performance fees, nor does it expect to receive such fees in the future. Currently, no other clients pay performance-based fees.

NEAM addresses the conflict of having different client fee arrangements through an order allocation methodology that is designed to provide equal access to investments regardless of fee schedule. For further detail on NEAM's trading and allocation procedures, see Item 12.

## **Item 7 - Types of Clients**

NEAM provides investment management services primarily to insurance companies (affiliated and unaffiliated with NEAM). NEAM also provides investment management services for governmental entities, a pension/profit sharing plan account, pooled investment vehicles and high net worth individuals. NEAM manages assets of an insurance company client that includes a charitable organization account.

### **Minimum Account Size**

Certain strategies are subject to the following minimum account size, which may be waived at NEAM's discretion:

- Sub-advised U.S. Opportunistic High Yield Strategy - \$25 million
- Sub-advised Upper Tier U.S. High Yield Strategy - \$10 million
- Structured Products Yield Enhancement Strategy - \$50 million
- Dividend Select Strategy - \$10 million

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

### **Investment Process**

NEAM's fixed income investment process consists of four components:

**1) Investment Policy** - NEAM's Policy Committee establishes investment policy for our client mandates. The Committee meets formally once a month to ratify the firm's consensus conclusions on key fixed income strategy parameters such as portfolio duration position, yield curve exposure, sector weighting and credit risk profile.

**2) Client Strategy** - The Client Strategy function, led by the Client Strategist assigned to each specific client, applies the investment policy conclusions to the individual client portfolio while also incorporating unique client considerations such as client goals/objectives, guidelines, benchmarks and operating needs. Coming out of the Client Strategy function are high level portfolio directives that dictate portfolio action.

**3) Execution** - Asset Class Specialists aggregate the high level directives coming out of the Client Strategy function and match those directives with individual securities. This is





done by applying our relative value and credit processes on an individual security basis, selecting securities and conducting trade execution in the marketplace.

**4) Controls** – The overall investment process is managed through trading, compliance, and risk workflows and controls.

**Sub-Advisory Arrangement** – NEAM delegates portfolio management for high yield strategies to a sub-advisor to provide day-to-day investment management services for the sub-advised mandates.

### **Other Investment Strategies**

#### **Preferred Securities Strategy**

NEAM's Preferred Securities strategy seeks to generate high levels of after-tax investment income and competitive, risk adjusted total returns through the use of preferred stocks.

#### **Structured Products Yield Enhancement Strategy**

NEAM's Structured Products Yield Enhancement strategy, offered as a separately managed account, is a specialized income-driven total return strategy aimed at higher yielding fixed income opportunities within the structured securities sector. The NEAM Structured Products Yield Enhancement strategy seeks to capture the premium associated with non-benchmark ABS asset types and subordinate tranches in relation to their relative value and market yield attractiveness. The Structured Products Yield Enhancement strategy is suitable for Qualified Institutional Buyer ("QIB") investors with a tolerance for potential volatility and/or limited liquidity.

#### **Equity Mandates**

NEAM's Focused Value Equity Management strategy ("FVEM") and Dividend Select equity strategy ("Dividend Select") combine quantitative analysis and qualitative judgments within a controlled risk framework. NEAM's ETF strategies provide equity exposure to specific sectors, markets and/or geographic regions.

#### **Focused Value Equity Management Strategy**

NEAM's FVEM strategy applies a value-driven approach to seek to outperform a broad market benchmark with less volatility over full market cycles

#### **Dividend Select Equity Strategy**

NEAM's Dividend Select Equity Strategy seeks to enhance income through the purchase of higher dividend yielding equity investments in stable, quality companies.

#### **U.S. Opportunistic High Yield Strategy**

The sub-adviser seeks to outperform the broader high yield market by employing a bottom-up, fundamentally oriented investment process that primarily targets middle market opportunities in the lower tier (i.e., rated single B and below) of the non-investment grade credit markets.



### **Upper Tier U.S. High Yield Strategy**

The sub-adviser seeks to outperform the BB/B rated segment of the U.S. high yield bond market by employing a bottom-up, fundamentally-oriented investment process that focuses heavily on downside protection.

### **Description of Risks**

Investing in securities involves risk of loss that clients should be prepared to bear. No investment process is free of risk; no strategy or risk management technique can guarantee returns or eliminate risk in any market environment. There is no guarantee that our investment strategies will be profitable. Past performance is not indicative of future performance. The value of investments, as well as any investment income, is not guaranteed and can fluctuate based on market conditions. Diversification does not assure a profit or protect against loss.

Our discretionary investment management strategies are subject to some or all of the risks described below.

Investment in fixed income securities is integral to NEAM's investment strategies. NEAM focuses on credit risk, interest rate risk, pre-payment risk, liquidity risk, reinvestment risk and structural risk when analyzing fixed income securities.

**Credit Risk:** The risk that an issuer of a security will fail to pay interest and or principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of the security to decline. Fixed income securities rated below investment grade are especially susceptible to credit risk.

**Interest Rate Risk:** The value of fixed income securities is directly related to the level of interest rates. Consequently, fluctuations in rates will cause market prices to fluctuate. Declining interest rates generally increase the value of fixed income securities, and rising interest rates generally decrease the value of fixed income securities. Securities with the longest maturities (and/or "durations") will exhibit the most price volatility. Changes in value usually will not affect the amount of interest income but will affect the value of the fixed income securities. Floating rate or variable rate instruments are less susceptible to price volatility vs. fixed rate securities since their coupon (cash flows) will adjust up or down periodically based on the general level of rates.

**Pre-Payment Risk:** This is the risk that a security's cash flows deviate from those originally anticipated due to a change in interest rates or due to structural characteristics (optionality) of the security.

**Liquidity Risk:** In some circumstances, the markets for fixed income securities can become "illiquid." In other words, the spread between the "bid" (level where a market participant would buy) and the "ask" (level at which one would sell) becomes very wide. In these instances, it may become difficult or even impossible to transact in the affected securities.



Certain fixed income securities may be substantially less liquid compared to other securities.

Reinvestment Risk: This is the risk that future cash flows from existing investments may have to be reinvested at lower rates of return than the rates originally achieved. This risk is amplified in the case of securities which have embedded optionality which may cause prepayments to accelerate as rates decline.

Structured Securities Risk: For structured securities, this is the risk that adverse developments in the collateral pool supporting the structured transaction jeopardize payment of interest and principal for one or more classes of the structured transaction. This may result in a loss due to a reduction in the value of the structured security. Early payoffs in the loans underlying structured securities may result in receiving less income than originally anticipated.

Non-Investment Grade Securities ("High-Yield") Risk: Strategies investing in high yield fixed income securities where instruments are below investment grade credit quality (below BBB-) or unrated and in certain cases in default are considered speculative and may involve greater risk than that of securities of investment-grade credit quality (BBB- and higher). The lower rating of securities in the high yield sector reflect a greater scenario for absorbing changes in the financial condition of a position and/or general economic conditions which could hinder the payment of principal and interest. The prices of high-yield securities are sensitive to changes of an issuer's credit worthiness. Issuers of lower-rated debt securities may have increased difficulty making their payment obligations and securing additional financing.

Senior Secured Loan Risk: Strategies investing in bank debt are subject to certain risks in addition to those present in high yield bond portfolios. Clients are bound by contractual obligations established under the bank debt's loan documentation and the transfer agreements executed when purchasing and selling bank debt. Bank debt investments are often subject to certain resale restrictions. Purchases and sales of bank debt can involve extended and delayed settlement times, which can result in increased counterparty and liquidity risk. Bank debt is not registered or regulated under federal securities laws.

Securities Investment Risk: All securities investments involve the risk of loss of capital.

Market Risk: For securities, market risk is the risk that the markets on which an account's investments trade will increase or decrease in value. Prices may fluctuate widely over short or extended periods in response to company, market or economic news. Markets also tend to move in cycles, with periods of rising and falling prices. If there is a general decline in the securities, bond and other markets, an account may lose value, regardless of the individual results of the securities and other instruments in which an account invests.

Sector Risk: The value of securities focused in a specific sector or sectors can be adversely impacted by developments specific to that sector compared to accounts that do not have concentrated holdings. Examples of developments that might cause adverse outcomes on



a sector's valuations include legislative actions, regulatory changes, tax or accounting changes and technical conditions specific to that market segment.

Currency /Country Risk: Investments in securities of non-U.S. companies involves special risks and considerations not typically associated with investing in U.S. companies, and the values of non-U.S. securities may be more volatile than those of U.S. securities. Investments in foreign currency-denominated securities are subject to the risk that those currencies will decline in value relative to the U.S. dollar. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons. This includes changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the United States or abroad. Additionally, investments in non-U.S. markets in general may carry a high degree of risk, particularly those in “emerging” markets that may not have the depth and liquidity of markets in the U.S. or Western Europe. The value of securities of non-U.S. companies are subject to economic and political developments in countries and regions, particularly where the securities are traded.

Equity Securities Risk – Equity securities include common stocks, preferred stocks, convertible securities and mutual funds that invest in these securities. Equity markets can be volatile. Stock prices rise and fall based on changes in an individual company's financial condition and overall market conditions. Stock prices can decline significantly in response to adverse market conditions, company-specific events, and other domestic and international political and economic developments.

Exchange Traded Fund (“ETF”) Risk – ETFs are pooled investment vehicles that hold portfolios of securities, commodities and/or currencies that commonly are designed, before expenses, to closely track the price and yield performance of (i) a specific index, (ii) a basket of securities, commodities or currencies, or (iii) a particular commodity or currency. ETF shares are traded on exchanges and are traded and priced throughout the trading day. Because ETFs trade on an exchange, they may not trade at NAV. Sometimes, the prices of ETFs may vary significantly from the NAVs of the ETFs' underlying securities. Additionally, if redeeming ETF shares rather than selling them on a secondary market, the investor may receive the underlying securities which must be sold in order to obtain cash.

Risks Related to Technology and Cyber Security – NEAM depends on telecommunication, information technology and other operational systems, whether its own or those of others (e.g., custodians, financial intermediaries, and others that we or our service providers use). These systems may fail to operate properly or become disabled as a result of events wholly or partly beyond NEAM's or their control. While NEAM uses risk management and security measures, its information technology and other systems, and those of others, could be subject to physical or electronic break-ins, unauthorized tampering or other security breaches, resulting in a failure to maintain the security, availability, integrity and confidentiality of data assets. Technology failures or cyber security breaches, whether



deliberate or unintentional, including those arising from use of third-party service providers or client usage of systems to access accounts, could delay or disrupt NEAM's ability to do business and service its clients, harm its reputation, result in a violation of applicable privacy and other laws, require additional compliance costs, subject NEAM to regulatory inquiries or proceedings and other claims, lead to a loss of clients and revenues or financial loss to its clients or otherwise adversely affect its business. NEAM will seek to notify affected clients of any known cybersecurity incidents posing a risk of harm to clients as required by law or regulation.

### **Item 9 - Disciplinary Information**

Neither NEAM nor its management personnel have any disciplinary information to report.

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

Neither NEAM nor any of its employees are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

NEAM has the following relationships or arrangements with related persons that we consider to be material to our investment advisory services and /or clients:

#### Other Investment Adviser

NEAM Limited, located in Dublin, Ireland, is a wholly owned subsidiary of NEAM and is regulated by the Central Bank of Ireland. NEAM Limited also operates a branch office in London, UK. NEAM Limited serves as an asset manager to clients with non-US dollar mandates, and on a more limited basis, clients with dollar mandates. NEAM Limited is not registered with the SEC.

NEAM has entered into several services agreements with NEAM Limited. NEAM Limited acts as a sub-adviser to NEAM, to manage certain non-US dollar mandates on behalf of NEAM's clients. NEAM also serves as a sub-adviser to NEAM Limited to manage certain US dollar mandates on behalf of NEAM Limited clients.

If NEAM recommends or selects NEAM Limited to manage assets for NEAM clients on a sub-advisory or non-sub-advisory basis, both NEAM and NEAM Limited will receive compensation in the form of advisory fees from such clients.

Due to the additional economic benefit to NEAM from recommending or selecting NEAM Limited, a conflict of interest exists between the interests of our clients and the interests of NEAM. NEAM addresses this conflict by having clients execute an IMA acknowledging and approving the sub-advisory arrangement and documenting the fee arrangement.



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

NEAM has adopted a Code of Ethics (the "Code"), which sets forth standards of business and personal conduct for all NEAM employees, officers and/or directors as well as temporary workers, interns, and/or consultants who have access to NEAM's network, client trading activities and/or who provide investment advice on behalf of NEAM. ("Supervised Persons"). The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance and giving of gifts, reporting requirements for gifts and business entertainment, reporting of outside business activities and personal securities trading and reporting procedures.

NEAM's clients or prospective clients may request a copy of the firm's Code by contacting its Chief Compliance Officer at 860-676-8722 or [karen.morais@neamgroup.com](mailto:karen.morais@neamgroup.com).

NEAM's Supervised Persons are required to follow NEAM's Code and certify that they read, understand and will comply with the terms of the Code on an annual basis, or sooner if the Code is amended.

The Code incorporates general principles, such as placing the interest of clients first and conducting personal securities transactions to avoid conflicts of interest, which all Supervised Persons are expected to uphold and apply to all of their conduct.

NEAM's Code is designed to prevent personal securities transactions, activities and interests of NEAM's Supervised Persons from interfering with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions, while at the same time, allowing employees to invest for their own accounts.

NEAM's procedures allow Supervised Persons to buy, sell or hold the same securities in their personal accounts that NEAM buys, sells or holds in client accounts. NEAM Supervised Persons cannot buy or sell securities for their own personal account until after transactions of securities in clients' accounts are completed. This is controlled by requiring pre-clearance for personal trades and disallowing pre-clearance approval if the security is on the restricted list.

NEAM's ultimate parent company, Berkshire Hathaway Inc ("BRK"), is a publicly traded company. To manage the conflict of interest that arises, NEAM refrains from investing client assets in BRK unless directed to do so by a client.

The Compliance Department monitors reported personal securities trading activities. This includes a quarterly review of the reported trading activities of all Supervised Persons, compared to the pre-approval records.

NEAM's Asset Class Specialists are primarily responsible for the transactions of securities in client accounts and their actions are subject to NEAM's policies and practices including





gifts and entertainment activities which are subject to review and approval by NEAM's senior management.

If in the course of providing its services, NEAM and its Supervised Persons come into possession of material, non-public information, NEAM and its Supervised Persons are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, including NEAM's clients.

It is NEAM's policy that NEAM will not effect any principal or agency cross securities transactions for client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as adviser to one side of the transaction and broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer; NEAM has no such affiliations.

NEAM does not engage in cross transactions, where NEAM causes one client to buy a security from another client.

## **Item 12 - Brokerage Practices**

NEAM's maintains a list of "approved" broker-dealers which can be used when trading securities on behalf of clients. Broker-dealers to be added to NEAM's approved broker-dealer list are reviewed and approved by the Chief Investment Officer. NEAM's Policy Committee monitors, approves and updates NEAM's approved broker-dealer list annually based on monitoring of the broker-dealers' responsiveness and accuracy in transaction processing. During the annual review, NEAM's Policy Committee also monitors each broker-dealer for soft dollar arrangements, reasonableness of equity commissions, and conflicts of interest.

When NEAM places orders for the execution of transactions for its clients, NEAM seeks to obtain the best execution available. NEAM seeks best execution at prices and commission rates so that in its good faith judgment the client's total costs or proceeds in each transaction are the most favorable under the circumstances.

In selecting a broker-dealer for client transactions, NEAM considers the full range and quality of a broker-dealer's services. This includes the available spreads, prices and commission rates, and other factors it deems relevant, such as: NEAM's knowledge of the nature of the security or instrument being traded; cost (by comparing the yield or price of bonds of comparable quality, coupon, maturity and type quoted by various broker, dealers or banks); the size and type of the transaction; the desired timing of the transaction; the activity existing and expected in the market for the particular security or instrument; and the execution, clearance, and settlement capabilities of the broker, dealer or bank. Where



available, NEAM seeks and documents price comparisons from competing broker-dealers to test for pricing and execution.

NEAM periodically and systematically evaluates the execution quality of broker-dealers executing their clients' transactions to monitor that transaction prices fell within an acceptable range. NEAM utilizes a third-party vendor to assist with quarterly best execution trade review. Execution prices of each transaction are reviewed relative to broadly available transaction price data, and trades with execution prices farthest from the vendor's derived or observed valuation levels based on dollar amount and market impact are identified. Members of the investment group provide reasoning for each trade identified along with any available back-up documentation. The CIO reviews the explanations, documents approval and the Policy Committee prepares a Corporate Resolution evidencing review and approval.

NEAM does not participate in soft dollar arrangements.

If NEAM agrees, a client may instruct NEAM to direct brokerage for a client's account to a particular broker, dealer or bank. When a client directs NEAM to use a particular broker, dealer or bank, NEAM may not be in a position to freely negotiate commission rates or spreads, or to select brokers, dealers or banks on the basis of best price and execution. In addition, transactions for a client that directs brokerage would not be aggregated for execution with transactions in the same securities for other clients. As a result, directed brokerage transactions could result in higher commissions, greater spreads or less favorable net prices than would result if NEAM were authorized to choose the brokers, dealers and banks through which to execute transactions from the client's account.

As a general matter, NEAM's Asset Class Specialists strive to aggregate individual account orders into larger orders in order to improve speed and efficiency of execution. NEAM affiliates participate on occasion with other NEAM clients in aggregated orders. In instances where aggregation is not appropriate or feasible, the Asset Class Specialists will execute those orders separately.

When aggregating orders, each client participating in the aggregated order receives the same execution price. Where NEAM believes limited investment opportunities are desirable and appropriate for one or more clients, NEAM will allocate them among eligible clients (which, at times, could include clients affiliated with NEAM) on a basis NEAM believes to be fair and equitable. In instances where the orders are partially filled, NEAM uses a random allocation process to allocate bonds across participating accounts. In the case of equity transactions, orders are allocated on a pro rata basis, using each account's order size relative to that of the total order.

### **Item 13 - Review of Accounts**

NEAM provides continuous monitoring and oversight of the discretionary accounts it manages. On an ongoing basis, Client Strategists review client accounts to monitor for consistency with client guidelines and restrictions and to monitor performance. In addition, the Client Strategists review and approve appraisal reports on a monthly basis prior to client





distribution, and NEAM's Investment Accountants perform documented reconciliations of client assets at custodian banks. NEAM's Chief Executive Officer reviews and approves the daily transaction reports for all trades. The reviews focus on consistency of portfolio investments with firm policy and asset allocations.

#### Client Reporting Package

NEAM's policy is to prepare and deliver written reports to clients in accordance with the agreed upon delivery deadlines. A suite of reports is available that combines the investment accounting book values and book yields with market valuations and market analytics.

For asset management clients, NEAM produces monthly appraisal and transaction reports. Client account performance reports are provided monthly, quarterly or annually upon client request. Each client is assigned a specific NEAM investment accountant responsible for reporting.

For investment accounting clients, NEAM utilizes a core set of reports. NEAM can also supplement the core package with additional reports that are designed to meet client's investment accounting and reporting needs.

NEAM provides additional reports to its clients, as mutually agreed upon, to meet specific needs or to show in more detail investment performance or current investment status.

NEAM provides clients with online access to investment accounting reports including appraisal reports via the web at [www.neamgroup.com](http://www.neamgroup.com), on a password-protected basis. NEAM provides hard copies if requested by the client.

#### Client Investment Committee Reports/Board Reports

In addition to our normal cycle of frequent communication, monthly reports and periodic client meetings, client team members are available for portfolio reviews and to discuss client needs and objectives, market outlook, investment strategy and portfolio activity or other issues. If requested by a client, Investment Committee/Client Board presentations are prepared by the Client Strategists and generally include a capital market overview, summary of portfolio activity, review of transactions, presentation of performance and other issues of interest.

#### Capital and Risk Analytics (CARA)<sup>®</sup> Platform

In addition to the client reporting package, NEAM clients have access to NEAM's risk reports on the Capital and Risk Analytics (CARA)<sup>®</sup> Platform. Risk reports display individual security and portfolio duration calculations, convexities, credit quality, book and market yields, gain/loss position on multiple accounting bases, horizon returns and key rate durations.

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

As a matter of policy and practice, NEAM and its Supervised Persons do not compensate any third-party persons, either individuals or entities, for the referral of advisory clients to the firm.



NEAM receives compensation from DDJ Capital Management LLC ("DDJ") through a revenue-sharing arrangement. The fees are paid from DDJ's own profits or retained earnings and not directly from the assets of the DDJ U.S. Opportunistic High Yield Fund (the "Fund") when a NEAM client invests in the Fund based on NEAM's recommendation. This payment continues as long as the client is a NEAM client and NEAM has a sub-advisory relationship with DDJ. These payments may create a conflict of interest by influencing NEAM to recommend the Fund over another investment, which NEAM seeks to mitigate through this disclosure in this brochure.

### **Item 15 – Custody**

NEAM's policy is to not act as a custodian on behalf of its clients. NEAM is authorized to trade on a delivery versus payment basis by our clients on their behalf.

When a client authorizes NEAM to debit fees from the client's account, NEAM is viewed, for regulatory purposes, as having custody of the client's assets. Clients with such a billing arrangement should receive account statements directly from the client's broker-dealer, bank or custodian at least quarterly. NEAM encourages each client to review the custodial reports the client receives and to compare the reports to invoices they receive from NEAM.

### **Item 16 - Investment Discretion**

NEAM ordinarily exercises total discretionary authority over a client's account to make all investment decisions in compliance with the client's investment guidelines along with any written restrictions. Certain clients and NEAM's strategies limit this authority by requiring that NEAM obtain their approval prior to executing trades.

Clients authorize NEAM to monitor and direct the investment of securities on a discretionary or non-discretionary basis in the IMA and/or in accordance with written client investment guidelines and other written client instructions or restrictions. The discretionary authority gives NEAM complete discretion to select the brokers, dealers, or banks, through which to execute transactions for the client's account. This authority also includes the execution of all documentation related to the purchase or sale, assignments, transfers and ownership of any securities, and documentation relating to restructuring, reorganization or other action of or relating to the issuer.

### **Item 17 - Voting Client Securities**

Clients can request in their IMA that NEAM vote proxies on their behalf for clients' managed common stock holdings. It is the policy of NEAM that all proxies for client securities are voted in the best economic interests of our clients. We seek to do this by monitoring that proxies are voted in a manner that, in our judgment, will further the objective of maximizing total return to the client as an investor in the securities being voted.

Proxy voting is guided by written proxy voting policies and procedures ("Proxy Policies"), including guidelines for voting certain specific types of proxy proposals ("Proxy Voting



Guidelines"). We have engaged an independent third-party vendor to develop and maintain Proxy Voting Guidelines and to vote each proxy in accordance with the Proxy Voting Guidelines. NEAM reviews and approves for implementation the Proxy Voting Guidelines developed by the third-party vendor and evaluates the performance of the vendor on a periodic basis. This evaluation includes an assessment of the vendor's business operational changes, SOC Audit Reports (when available), reporting of conflicts of interest and relevant policies, voting capacity, competency of personnel, adherence to NEAM's policies and adequacy of its proxy voting process, including recordkeeping.

It is our policy to monitor that proxy voting decisions for our clients are not influenced by any material conflict between our interests and client interests. We monitor that proxies are voted in accordance with the independent vendor's recommendations. The third-party vendor will also disclose conflicts relating to its ownership and also maintains that it follows management procedures to mitigate all such events. In instances where NEAM deems that it is in the best interest of its clients to vote against the third-party vendor's guidelines, NEAM will document the reason and direct the third-party vendor to vote in accordance with the decision. If for any reason the vendor does not provide a voting recommendation on a particular matter, or in the event that the vendor's interests conflict with those of a client, we request client direction on how to vote or take other appropriate action to resolve the conflict as provided in the Proxy Policies. The proxy voting process is administered by our Compliance Department, under the oversight of the Proxy Committee.

To direct us to vote a proxy in a particular manner, clients should contact their Client Strategist and/or the Compliance Department.

If you would like a copy of the Proxy Policies, including Proxy Voting Guidelines, or if you are a client and would like information on how proxies were voted on your behalf, please contact us by calling 860-676-8722 or via email at [karen.morais@neamgroup.com](mailto:karen.morais@neamgroup.com).

NEAM will not provide legal advice or act for its clients in any legal proceedings involving companies whose securities are held in the client's account(s). This includes the filing of bankruptcy documentation or "Proof of Claims" in class action suits. Certain clients direct us to forward class action notices to them if received by NEAM. In such situations, NEAM will forward documentation to its clients in a timely manner on a best efforts basis.

## **Item 18 - Financial Information**

NEAM has no financial condition that impairs its ability to meet contractual commitments to clients and has not been the subject of any bankruptcy petition.