

# **Eaton Vance Investment Counsel**

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## **Form ADV Part 2A**

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This brochure provides information about the qualifications and business practices of Eaton Vance Investment Counsel. If you have any questions about the contents of this brochure, please contact us at (866) 331-6472 or (617) 672-8166. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Eaton Vance Investment Counsel is an SEC-registered investment adviser. This registration does not imply a certain level of skill or training. Additional information about Eaton Vance Investment Counsel also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Summary of Material Changes

The following material changes have been made to this brochure since its last annual update on January 29, 2020:

- Item 8 – The Market Risk description has been updated and the Business Continuity Program Risk has been added.

## Table of Contents

Summary of Material Changes.....	2
Table of Contents.....	3
Advisory Business.....	4
Fees and Compensation.....	6
Performance Based Fees and Side-by-Side Management.....	9
Types of Clients.....	11
Methods of Analysis, Investment Strategies and Summary of Risk.....	12
Disciplinary Information.....	32
Other Financial Industry Activities and Affiliations.....	33
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	35
Brokerage Practices.....	37
Review of Accounts.....	46
Client Referrals and Other Compensation.....	47
Custody.....	49
Investment Discretion .....	50
Voting Client Securities.....	51
Financial Information.....	54
Privacy Notice.....	55

## Item 4 - Advisory Business

Eaton Vance Investment Counsel (“EVIC”) renders professional investment management services on both a discretionary and a non-discretionary basis to high net worth individuals, families, pension plans, trusts, endowments and other institutional clients. EVIC is a wholly owned subsidiary of Eaton Vance Corp. As of October 31, 2019, EVIC and its affiliates manage a total of \$497.4 billion in assets. Of this amount, EVIC manages, advises, and/or reports on a total of \$8.3 billion in client assets. This figure reflects approximately \$6.9 billion discretionary managed assets, \$786.4 million in non-discretionary managed assets, plus \$568.4 in supplemental client assets we advise on.

EVIC was originally organized in 2004 as a wholly owned subsidiary of Eaton Vance Corp. EVIC is the successor in interest to the investment counsel business of Eaton Vance Management (“EVM”), an affiliate of EVIC. Eaton Vance Management and its predecessor organizations have been providing investment advice since 1924. Eaton Vance Corp. is a publicly held corporation, the shares of which are listed on the New York Stock Exchange. Publicly held shares of Eaton Vance Corp. common stock are all nonvoting. All outstanding shares of Eaton Vance Corp.’s voting common stock are beneficially owned by certain officers of Eaton Vance Corp. or its subsidiaries and are deposited in a voting trust. The trustees of the voting trust are all officers of Eaton Vance Corp. or its subsidiaries. As of October 31, 2019, no individual shareholder owned or had the right to vote 25% or more of the voting or nonvoting shares of Eaton Vance Corp.

EVIC provides investment advisory services primarily to high net worth individuals, trusts, estates, personal holding companies, pension and profit sharing plans, labor unions, religious organizations, foundations and charitable organizations, corporations, endowment funds, insurance companies, wrap programs, and educational institutions. EVIC provides discretionary investment management services to a wrap fee programs sponsored by an unaffiliated third party (“Wrap Program”). EVIC is not a sponsor of any wrap fee programs. EVIC provides customized investment advice to meet the needs of individual clients through a variety of investment strategies, including equity, income, mixed-asset, and alternative strategies. Each client works with an investment counselor or a team of counselors who serve as the portfolio manager for the client account and the primary client contact. The investment counselor discusses the investment objectives with the client and customizes an appropriate investment strategy. EVIC’s services may additionally include financial planning issues, tax-management strategies, charitable giving, estate planning and wealth transfer, and executive compensation and business succession strategies. In-depth fundamental analysis is the primary basis for EVIC’s investment decision making in its direct management of assets. Under a typical discretionary account, the client has authorized EVIC to supervise, manage and direct the investment of the assets of the account, including the selection of appropriate investment vehicles, such as mutual funds, without prior consultation with the client. Accounts with respect to which EVIC makes recommendations to the clients or otherwise must consult with the client prior to making and implementing investment decisions are non-discretionary accounts. In some cases, a discretionary account will implicitly contain a non-discretionary component, such as when a subscription for an investment managed by an outside manager requires a client’s signature. Investment decisions or recommendations for both types of accounts are made and implemented in accordance with each client’s investment objectives and any investment restrictions described in the advisory agreement or otherwise provided to EVIC by

the client. Client portfolios may consist of individual securities, registered or unregistered funds (including funds managed by affiliates of EVIC). For more information about EVIC's investment advisory services, see *Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss* below. EVIC provides discretionary investment management services to a wrap fee programs sponsored by an unaffiliated third party ("Wrap Program"). EVIC is not a sponsor of any wrap fee programs. Wrap Programs vary by sponsor, and Eaton Vance may act in a discretionary or non-discretionary capacity. Under a single contract Wrap Program, Eaton Vance enters into an investment management agreement directly with the Wrap Program sponsor, while under a dual contract Wrap Program, Eaton Vance enters into an investment management agreement with underlying plan participants and Wrap Program Sponsor. For discretionary Wrap Programs, Eaton Vance has the authority to enter into transactions on behalf of Wrap Program participants, subject to any investment or trading restrictions provided by the Wrap Program sponsor or Wrap Program participants. See *Item 12 - Brokerage Practices* below for additional information about trade execution under a Wrap Program.

## Item 5 - Fees and Compensation

For investment management services provided, EVIC charges a fee to its clients. Fees are generally quoted on an annualized basis as a percentage of client assets under management. EVIC's standard fees, and minimum account size for prospective clients are set out below. The fee schedules stated below are negotiable and can vary by investment strategy, product type, account size, overall relationship considerations, customization, and required service levels.

<b>Investment Strategy</b>	<b>Fee Schedule</b>	<b>Minimum Separate Account Initial Balance</b>
Equity, Balanced & Global Multi-Asset Class Strategies *Includes Core EVIC and affiliate strategies, as well as Principled Investment (ESG/SRI) strategies	1.00% on first \$2 million 0.80% on next \$3 million 0.60% on next \$5 million 0.40% on balance	Generally \$1 million or a minimum annual fee of \$10,000
Global Multi-Asset Class Strategy with Private Equity and Venture Capital	0.85% on first \$5 million 0.60% on next \$5 million 0.40% on balance	Generally \$5 million or a minimum annual fee of \$42,500
Global Multi-Asset Class Strategy with Direct Hedge Funds, Private Equity and Venture Capital	0.50% on first \$25 million 0.40 on balance	Generally \$25 million or a minimum annual fee of \$137,500
Fixed Income Strategies * Includes Core EVIC taxable and tax-exempt mandates, as well as EVM TABS Ladders strategies	0.45% first \$10 million 0.30% next \$40 million 0.20% on balance	Generally \$2 million or a minimum annual fee of \$9,000
Active Short Duration Fixed Income Strategy	0.45% on first \$10 million 0.30% on next \$40 million 0.20% on balance	Generally \$5 million or a minimum annual fee of \$22,500
Custom Core Enhanced Index Strategies *Managed by Parametric Portfolio Advisors, an affiliate company.	0.75% on first \$2 million 0.70% on next \$3 million 0.50% on next \$5 million 0.40% on balance	Generally \$1 million or a minimum annual fee of \$7,500
Managed ETF Strategies	0.75% on first \$2 million 0.70% on next \$3 million 0.50% on next \$5 million 0.40% on balance	Generally \$1 million or a minimum annual fee of \$7,500
Outside Manager Strategies	0.50% overlay fee on balance	Generally \$10 million or a minimum annual fee of \$50,000

All advisory fees charged by EVIC are documented in writing in the client's investment management agreement with EVIC, as such agreement may be amended from time to time. While the above fees are quoted annually, unless otherwise agreed, fees are generally charged quarterly in arrears at a rate of  $\frac{1}{4}$  of the stated fee schedule. Fees are generally calculated based on the client's assets under management as of the last day of the calendar quarter, but upon mutual agreement, certain clients are billed on different methodologies, such as average month-end value or average daily market value of the client's account during the applicable quarter. Cash flows in

excess of certain thresholds may be factored into the fee calculation if agreed upon in writing. While fees are generally payable quarterly in arrears, EVIC and clients may mutually agree on alternative payment options, including payment in advance or payment monthly in arrears, and fixed- or flat-fee pricing.

Clients may elect to be billed directly for fees, or may authorize EVIC to directly bill fees to the client's custodial account. If EVIC bills the client's custodian directly, EVIC must have written authorization from the client to invoice the custodial account and the client must receive at least quarterly statements from their custodian in order to comply with applicable regulation. See also *Item 15 – Custody*.

Unless otherwise provided in an investment advisory contract, EVIC or an affiliate is typically responsible for calculating the fees owed by a client. EVIC will calculate the billable assets for which EVIC has investment discretion according to its internal accounting system. EVIC frequently utilizes unaffiliated third party pricing vendors to value securities held by clients. However, from time to time, EVIC may fair value a security, such as situations where current market prices are not available, or when EVIC elects to override a price provided by a third party vendor. EVIC factors in pending portfolio transactions when calculating an account's value. Due to fair-valued securities and pending portfolio activities, a client account's value calculated by EVIC may not match the account's value reported by the client's custodian. When this occurs over a billing period end, and EVIC is responsible for calculating account value, EVIC will calculate fees based on the value reflected in its accounting systems, which may differ from the value reported by the client's custodian. A conflict of interest exists when EVIC calculates fees based on securities it has set a fair value for, as EVIC is incentivized to apply a higher valuation. EVIC has adopted valuation policies and procedures which are designed to value securities fairly, mitigating this conflict of interest.

EVIC reserves the right to change its standard fee schedules and absent contractual agreement, is not required to change the fee schedules of existing clients to match such updated fee schedules, even if such updated fee schedules would be more advantageous to existing clients. EVIC may, at its sole discretion, offer certain clients more advantageous fee schedules than those offered to other clients for similar services provided or waive fees (including minimum annual fees) entirely for affiliated or non-affiliated entities.

EVIC generally negotiates the fees paid to us for investment management services provided to Wrap Programs directly with the Wrap Program sponsor, and not with individual Wrap Program participants. Wrap Program participants receive a brochure from the Wrap Program sponsor detailing all aspects of the Wrap Program. Fees and features of each Wrap Program vary by sponsor. Wrap Program clients should consult the Wrap Program sponsor's brochure for the specific fees and features applicable to their program. For Wrap Program accounts, participants generally pay the sponsor a single fee and out of this amount EVIC is paid its negotiated fee rate by the Wrap Program sponsor for advisory services. The Wrap Program sponsor retains the remainder of the fee for trade execution, custody, and additional services.

Special requirements or circumstances may result in different fee arrangements than those stated above for certain clients. For example, additional reporting, investment policy or risk management

consulting, estate and financial planning resources, legal research, or additional investment administrative services required or requested by some clients or investors may, upon mutual agreement, lead to higher fees. From time to time, EVIC may render specialized services to clients in a manner and/or under circumstances which may not properly be characterized as investment advisory services; e.g., investment advice with respect to structuring investments for maximum U.S. federal tax efficiency or specialized advice to executors or administrators of estates or trustees of various trusts. In such cases, the fee payable to EVIC may be negotiated and will be determined on a case-by-case basis.

Clients or EVIC may terminate a contract for any reason. Normally, clients may cancel EVIC's services upon such specified period provided for in the investment management agreement between the client and EVIC (e.g., 30 days). EVIC reserves the right to waive any applicable notice period or agree to different notice periods. During the period specified, EVIC's normal management fees are earned and payable (unless waived pursuant to the preceding sentence). EVIC may terminate a contract by giving the specified written notice to the client. Accounts opened or closed during a billing period are charged a prorated fee. If a client has paid any advisory fees in advance for the period in which the investment advisory agreement is terminated, EVIC will pro rate the advisory fees for the period and return any unearned portion to the client by check or wire transfer.

EVIC's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses. Such expenses will be assessed to the client. Clients may incur certain charges imposed by custodians, broker-dealers and other third-parties, including but not limited to: fees charged by third-party managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, withholding fees, country tax or delivery fees, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. For more information about EVIC's brokerage practices, see *Item 12 - Brokerage Practices* below. Certain EVIC investment strategies invest in mutual funds, closed-end funds, exchange-traded notes and exchange traded funds ("ETFs") which charge shareholders with management fees. These fees are disclosed in the fund's or ETF's prospectus or offering memorandum. Additionally, if EVIC hires a third party to manage client assets in a separate account, the EVIC client will generally pay such third party a management fee in addition to the fees described in this *Item 5*.

As outlined in *Item 8*, EVIC offers a broad array of investment strategies across different asset classes. Many of these strategies are offered in multiple types of investment vehicles (e.g. separately managed account, private fund, and registered fund). The amount of compensation or commission earned by the sales personnel of EVIC and its affiliates varies across both investment strategy and investment vehicle. This could create a conflict of interest by incentivizing the sale of one strategy or investment vehicle over another. EVIC believes this potential conflict is largely mitigated through supervisory review and by the fact that EVIC strategies are offered primarily to or through sophisticated institutional investors and financial intermediaries.



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

EVIC does not currently receive any performance based fees from clients and none of EVIC's supervised persons currently manages any accounts that are charged a performance based fee.

In the event it agrees to performance based fees in the future, EVIC will structure any performance or incentive-based fee arrangement in compliance with Section 205(a)(1) of the Investment Advisers Act of 1940, as amended ("Advisers Act") and in accordance with the exemptions available thereunder, including the exemption set forth in Rule 205-3. In measuring a client's assets for the calculation of performance-based fees, EVIC expects realized and unrealized capital gains and losses would be included.

Performance based fees have the potential to generate significant advisory fees for EVIC. While they are intended to reward EVIC for successful management of a client account, they may create an incentive for EVIC to take additional risks in the management of the account. EVIC often manages multiple accounts with similar investment strategies. If some of these accounts charge performance based fees, this creates a conflict of interest with respect to the management of these accounts. For example, a counselor may have an incentive to allocate attractive or limited investments to the accounts that charge performance based fees. A counselor may also have an incentive to favor the performance based fee accounts with respect to trade timing and/or execution price. In addition, a counselor may have an incentive to engage in front running so that the trading activity of other accounts benefits the performance based fee accounts.

### **Side-by-Side Management**

EVIC provides investment advisory services within the same strategies to various clients. This gives rise to potential conflicts of interest since EVIC has an incentive to favor certain accounts over others. Examples of conflicts include:

- Allocating favored investment opportunities to larger accounts or relationships which pay more fees in the aggregate than smaller accounts or relationships.
- Allocating favored investment opportunities to accounts with performance-based fees or higher fee schedules than other accounts.
- A portfolio manager allocating more time and attention to accounts with higher fee rates or larger aggregate fee amounts.
- Allocating investment opportunities to accounts or funds where an employee, Eaton Vance, or an affiliate has a proprietary interest.
- Executing trades executed for an account or client that may adversely impact the value of securities held by a different account or client.
- If there is limited availability of an investment opportunity, Eaton Vance may not be able to allocate such opportunity to all eligible accounts or Funds which could have otherwise participated in the investment opportunity

- Trading and securities selected for a particular account or Fund may affect the performance of other accounts or Funds that have similar strategies.

To address these and other conflicts of interest, EVIC has adopted various policies and procedures designed to ensure that all client accounts are treated equitably and that no account receives favorable treatment. For example, EVIC has adopted procedures governing the allocation of securities transactions among clients and the aggregation of trades by multiple clients. For more information about how EVIC addresses certain conflicts of interest, see *Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading* below. See also *Item 12 - Brokerage Practices* below for more information about conflicts of interest related to portfolio transactions and trade allocations.

## Item 7 - Types of Clients

EVIC provides investment advisory services primarily to high net worth individuals, trusts, estates, personal holding companies, pension and profit sharing plans, labor unions, religious organizations, foundations and charitable organizations, corporations, endowment funds, insurance companies, and educational institutions. In addition, EVIC provides investment advice to individual retail investors through Wrap Programs sponsored by unaffiliated third parties. EVIC does not manage any pooled investment vehicles.

EVIC requires its advisory clients to enter into a written investment advisory agreement. EVIC's minimum relationship size is strategy dependent, and ranges from \$1 million to \$25 million. Please see *Item 5 – Fees and Compensation* above for details regarding the minimum account size required for specific investment strategies. EVIC reserves the right to waive any account minimums. The minimum account size for accounts within a Wrap Program is generally lower and is determined by the agreement between EVIC and the Wrap Program sponsor.

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

### **Methods of Analysis**

EVIC's evaluation of investment alternatives places primary emphasis and reliance upon fundamental analysis of issuers of equity and debt securities; political, economic, and industry developments; money and capital market conditions; and any other factors that, in EVIC's judgment, may have an impact on the value of an investment.

Although it conducts some of its own independent research, EVIC relies heavily on the research evaluations and recommendations developed by its affiliates, primarily Eaton Vance Management. In developing information for use in making investment decisions and recommendations for clients, Eaton Vance Management places importance on personal visits with company management by members of its research staff, in the case of issuers of equity and corporate debt securities, and with industry representatives and governmental officials where appropriate. Eaton Vance Management and EVIC also use various standard databases available to institutional investors. EVIC and Eaton Vance Management may utilize other sources of information, such as on-line services and financial database services.

In some cases EVIC may rely on ratings issued by third party rating services. In other cases, although EVIC may consider ratings issued by third party rating services, it utilizes Eaton Vance Management to perform independent credit and investment analysis and does not rely primarily on the ratings assigned by the third party rating services. Credit ratings are based largely on the issuer's historical financial condition and the rating agency's investment analysis at the time of rating, and the rating assigned to any particular security is not necessarily a reflection of the issuer's current financial condition. In general, the rating assigned to a security by a rating agency does not reflect assessment of the volatility of the security's market value or of the liquidity of an investment in the security.

EVIC will at times recommend investment strategies and vehicles that are not managed by EVIC or its affiliates, including mutual funds, ETFs, and exchange traded notes. Such non-proprietary investments are screened by individual investment counselors and/or investment research professionals before they are recommended to clients, with careful analysis of risk made at the counselor and research professional level.

EVIC may utilize third-party managers to invest client assets. Such investments may be through separate accounts or funds, both registered and un-registered. Such managers are subject to additional due diligence procedures before being approved for recommendation to EVIC clients. EVIC conducts comprehensive initial and on-going due diligence of third-party managers.

Subject to and consistent with the individual investment objectives of clients, EVIC generally seeks to achieve above-average long-term investment results for its clients through emphasis on equity, debt instruments, real assets and currencies judged by EVIC to have unrecognized value or investment potential. Although EVIC always attempts to retain sufficient portfolio flexibility to react to abrupt changes in securities markets, unless otherwise agreed upon between a client and EVIC, investment decisions and recommendations for clients are generally made with a long-term

outlook consistent with a client's long term objectives. In managing investment portfolios, EVIC directs considerable attention to the overall composition of the portfolio in order to provide proper portfolio balance and diversification, and thus reduce risk.

EVIC does not generally engage in short-term trading for accounts, although the length of time a security has been held in a client's account will not be a limiting factor if EVIC determines that the holding should no longer be retained by the account.

## **Investment Strategies**

Rather than simply offering clients only a preset menu of investment strategies from which to choose, EVIC provides customized investment strategies designed to meet the needs of individual clients. EVIC's advisory relationships may also involve a wider range of services than just portfolio management. For example, EVIC advises certain clients on financial planning issues, tax-management strategies, charitable giving, estate planning and wealth transfer, executive compensation and business succession strategies. The proprietary investment strategy designed for a particular client will be tailored to consider these and other issues relevant to the client's unique situation. As such, the proprietary investment strategies offered by EVIC are not easily summarized. However, when designing a proprietary investment strategy for a client, EVIC will generally pursue investments in one or more of the following asset classes: equities, investment grade bonds, high yield bonds, municipal bonds, alternatives and floating-rate bank loans. EVIC also offers third party management strategies, which involve investing client assets in funds or accounts managed by unaffiliated third-party managers. EVIC assists clients in identifying third-party managers that specialize in particular investment strategies. The available third party management strategies are not limited, but third-party managers typically include private equity fund managers, hedge fund managers (including fund-of-hedge fund managers) and traditional asset managers with an expertise in a particular area (such as emerging markets investing). Listed below are the material risks associated with EVIC's proprietary investment strategies and non-proprietary management strategies. These material risks are not comprehensive and a particular investment strategy may invest in other types of financial instruments (such as derivatives or commodities) and be subject to additional risks not described below.

EVIC recognizes that no single type of investment strategy will ensure rewarding investment results in every political, economic and market environment. Investing in securities and other financial instruments involves a risk of loss that clients should be prepared to bear.

*Equities.* Equity strategies may involve one or more of the following material risks: Equity Investing Risk; Foreign and Emerging Market Investment Risk; ; Risks Associated with Active Management; General Investing Risks; Small Companies Risk; Growth Risk; Real Estate Risk; Derivatives Risk; ETF Risk; Income Risk; Concentration Risk; Issuer Diversification Risk; Convertible and Preferred Securities Risk; Short Sale Risk; and Tax-Managed Investing Risk. Not all of these risks apply to each equity strategy. The specific risks associated with a particular equity strategy depend on the approaches used and the extent to which the strategy employs certain portfolio management techniques or invests in financial instruments other than equity securities. For a summary of each risk, see *Summary of Material Risks* below.

*Investment Grade Bonds.* Investment grade bond strategies may involve one or more of the following material risks: Income Market Risk; Interest Rate Risk; Credit Risk; Derivatives Risk; Risk of U.S. Government-Sponsored Agencies; Commercial Mortgage-Backed Securities Risk; ETN Risk; Issuer Diversification Risk; Risks Associated with Active Management; General Investing Risks; Duration Risk; Inflation-Linked Security Risk; Maturity Risk; Risk of Leveraged Transactions; Risk of Residual Interest Bonds; Risk of Principal Only Investments; Fixed-Income, Convertible Securities and Preferred Stock Risk; Tax Risk; and Risks Associated with Quantitative Management. Not all of these risks apply to each investment grade bond strategy. The specific risks associated with a particular investment grade bond strategy depend on the approaches used and the extent to which the strategy employs certain portfolio management techniques or invests in financial instruments other than investment grade bonds. For a summary of each risk, see *Summary of Material Risks* below.

*High Yield Bonds.* High yield bond strategies may involve one or more of the following material risks: Income Market Risk; Interest Rate Risk; Credit Risk; Derivatives Risk; Risk of U.S. Government-Sponsored Agencies; ETN Risks; Risk of Lower Rated Investments; Issuer Diversification Risk; Risks Associated with Active Management; General Investing Risks; Duration Risk; Maturity Risk; Risk of Leveraged Transactions; Risk of Residual Interest Bonds; Risk of Principal Only Investments; Tax Risk; and Risks Associated with Quantitative Management. Not all of these risks apply to each high yield bond strategy. The specific risks associated with a particular high yield bond strategy depend on the approaches used and the extent to which the strategy employs certain portfolio management techniques or invests in financial instruments other than high yield bonds. For a summary of each risk, see *Summary of Material Risks* below.

*Municipal Bonds.* Municipal bond strategies may involve one or more of the following material risks: Income Market Risk; Interest Rate Risk; Credit Risk; Derivatives Risk; Risk of Lower Rated Investments; Municipal Bond Market Risk; Issuer Diversification Risk; Risks Associated with Active Management; General Investing Risks; Duration Risk; Inflation-Linked Security Risk; Maturity Risk; Risk of Leveraged Transactions; Risk of Residual Interest Bonds; Risks of Principal Only Investments; Tax Risk; and Risks Associated with Quantitative Management. Not all of these risks apply to each municipal bond strategy. The specific risks associated with a particular municipal bond strategy depend on the approaches used and the extent to which the strategy employs certain portfolio management techniques or invests in financial instruments other than municipal bonds. For a summary of each risk, see *Summary of Material Risks* below.

*Floating Rate Bank Loans.* Floating rate bank loan strategies may involve one or more of the following material risks: Income Market Risk; Interest Rate Risk; Credit Risk; Derivatives Risk; Risk of Lower Rated Investments; Issuer Diversification Risk; Risks Associated with Active Management; General Investing Risks; Duration Risk; Maturity Risk; Risk of Loans; Tax Risk; and Risks Associated with Quantitative Management. Not all of these risks apply to each floating rate loan strategy. The specific risks associated with a particular high floating rate loan strategy depend on the approaches used and the extent to which the strategy employs certain portfolio management techniques or invests in financial instruments other than floating rate loans. For a summary of each risk, see *Summary of Material Risks* below.

*Alternative Strategies.* Alternative strategies may involve a wide array of risks. The risks associated with an investment in a fund or account managed by a particular third-party manager will be described in the fund offering documents (if applicable) or the third-party manager's Form ADV. A client should carefully review the applicable offering documents and/or third-party manager's Form ADV before pursuing a non-proprietary management strategy. Listed below are a number of risks that may be applicable to an investment in a non-proprietary management strategy: Manager Selection Risk; Income Market Risk; Interest Rate Risk; Credit Risk; Equity Investing Risk; Derivatives Risk; Risk of U.S. Government-Sponsored Agencies; Risk of Lower Rated Investments; Issuer Diversification Risk; Risks Associated with Active Management; General Investing Risks; Short Sale Risk; Risk of Repurchase Agreements and Reverse Repurchase Agreements; Risk of Commodity-Related Investments; Foreign and Emerging Market Investment Risk; Concentration Risk; Risk of Loans; Inflation-Linked Security Risk; Duration Risk; Municipal Bond Market Risk; Small Companies Risk; Securities Lending Risk; Option Strategy Risk; Hedge Correlation Risk; Currency Risk; and Tracking Error Risk. Not all of these risks apply to each non-proprietary management strategy. The specific risks associated with a particular non-proprietary management strategy depend on the investment strategies used by the third-party manager. For a summary of each risk, see *Summary of Material Risks* below.

Certain risks are applicable to all strategies offered by EVIC. These include Cyber Security Risks, Data Source Risks, General Investing Risks, and Government, Political, and Regulatory Risks. These risks are applicable to investing, generally.

### **Summary of Material Risks**

**Absolute Return Strategy.** An "absolute return" investment approach is generally benchmarked to an index of cash instruments and seeks to achieve returns that are largely independent of broad movements in stocks and bonds. Unlike client portfolios managed in an equity strategies, client portfolios managed in an absolute return strategy should not be expected to benefit from general equity market returns. Different from fixed income funds, client portfolios managed in an absolute return strategy may not generate current income and should not be expected to experience price appreciation as interest rates decline. Although the investment adviser seeks to maximize absolute return, client portfolios managed in an absolute return strategy may not generate positive returns.

**Active Management Risk.** The success of a client's account that is actively managed depends upon the investment skills and analytical abilities of the portfolio manager to develop and effectively implement strategies that achieve the client's investment objective. Subjective decisions made by the portfolio manager may cause a client portfolio to incur losses or to miss profit opportunities on which it may have otherwise capitalized.

**Additional Risks of Loans.** Loans are traded in a private, unregulated inter-dealer or inter-bank resale market and are generally subject to contractual restrictions that must be satisfied before a loan can be bought or sold. These restrictions may impede the client portfolio's ability to buy or sell loans (thus affecting their liquidity) and may negatively impact the transaction price. See also "Market Risk". It also may take longer than seven days for transactions in loans to settle. Due to the possibility of an extended loan settlement process, an investor that holds loan may hold cash, sell investments or temporarily borrow from banks or other lenders to meet short-term liquidity

needs, such as to satisfy redemption requests from fund shareholders. The types of covenants included in loan agreements generally vary depending on market conditions, the creditworthiness of the issuer, the nature of the collateral securing the loan and possibly other factors. Loans with fewer covenants that restrict activities of the borrower may provide the borrower with more flexibility to take actions that may be detrimental to the loan holders and provide fewer investor protections in the event of such actions or if covenants are breached. The client portfolio may experience relatively greater realized or unrealized losses or delays and expense in enforcing its rights with respect to loans with fewer restrictive covenants. Loans to entities located outside of the U.S. may have substantially different lender protections and covenants as compared to loans to U.S. entities and may involve greater risks. An investor that holds loan may have difficulties and incur expense enforcing its rights with respect to non-U.S. loans and such loans could be subject to bankruptcy laws that are materially different than in the U.S. Loans may be structured such that they are not securities under securities law, and in the event of fraud or misrepresentation by a borrower, lenders may not have the protection of the anti-fraud provisions of the federal securities laws. Loans are also subject to risks associated with other types of income investments, including credit risk and risks of lower rated investments.

**Allocation and Position Limits Risk.** A client account's performance depends upon how its assets are allocated and reallocated, and an investor could lose money as a result of these allocation decisions and related constraints. The CFTC and the exchanges on which commodity interests (futures, options on futures and swaps) are traded may impose limitations governing the maximum number of positions on the same side of the market and involving the same underlying instrument that may be held by a single investor or group of related investors, whether acting alone or in concert with others (regardless of whether such contracts are held on the same or different exchanges or held or written in one or more accounts or through one or more brokers). A portfolio manager may trade for multiple accounts and the commodity interest positions of all such accounts will generally be required to be aggregated for purposes of determining compliance with position limits, position reporting and position "accountability" rules imposed by the CFTC or the various exchanges. Swaps positions in physical commodity swaps that are "economically equivalent" to futures and options on futures held by an account and similar accounts may also in the future be included in determining compliance with federal position rules, and the exchanges may impose their own rules covering these and other types of swaps. These trading and position limits, and any aggregation requirement, could materially limit the commodity interest positions the portfolio manager may take for an account and may cause the portfolio manager to close out an account's positions earlier than it might otherwise choose to do so.

**Business Continuity Risk.** EVIC has developed a Business Continuity Program (the "BCP") that is designed to minimize the impact of adverse events that affect EVIC's ability to carry on normal business operations. Such adverse events include, but are not limited to, natural disasters, outbreaks of pandemic and epidemic diseases, terrorism, acts of governments, any act of declared or undeclared war, power shortages or failures, utility or communication failure or delays, shortages, and system failures or malfunctions. While EVIC believes the BCP should allow it to resume normal business operations in a timely manner following an adverse event, there are inherent limitations in such programs, including the possibility that the BCP does not anticipate all contingencies or procedures do not work as intended. Vendors and service providers to EVIC and its affiliates may also be affected by adverse events and are subject to the same risks that their



respective business continuity plans do not cover all contingencies. In the event the BCP at EVIC or similar programs at vendors and service providers do not adequately address all contingencies, client portfolios may be negatively affected as there may be an inability to process transactions, calculate net asset values, value client investments, or disruptions to trading in client accounts. A client's ability to recover any losses or expenses it incurs as a result of a disruption of business operations may be limited by the liability, standard of care, and related provisions in its contractual agreements with EVIC and other service providers.

**Call Risk.** Fixed income securities will be subject to the risk that an issuer may exercise its right to redeem a fixed income security earlier than expected (a call). Issuers may call outstanding securities prior to their maturity for a number of reasons (e.g., declining interest rates, changes in credit spreads and improvements in the issuer's credit quality). If an issuer calls a security that a client holds, the client may not recoup the full amount of its initial investment or may not realize the full anticipated earnings from the investment and may be forced to reinvest in lower-yielding securities, securities with greater credit risks or securities with other, less favorable features.

**Commodities Risk.** The value of commodities investments will generally be affected by overall market movements and factors specific to a particular industry or commodity, such as weather, embargoes, tariffs, health, political, international and regulatory developments. Economic and other events (whether real or perceived) can reduce the demand for commodities, which may reduce market prices and cause the value of a client portfolio to fall. The frequency and magnitude of such changes cannot be predicted. Exposure to commodities and commodities markets may subject a client portfolio to greater volatility than investments in traditional securities. No active trading market may exist for certain commodities investments, which may impair the ability to sell or to realize the full value of such investments in the event of the need to liquidate such investments. In addition, adverse market conditions may impair the liquidity of actively traded commodities investments. Certain types of commodities instruments (such as total return swaps and commodity-linked notes) are subject to the risk that the counterparty to the instrument will not perform or will be unable to perform in accordance with the terms of the instrument.

**Concentration Risk.** A strategy that concentrates its investments in a particular sector of the market (such as the utilities or financial services sectors) or a specific geographic area (such as a country or state) may be impacted by events that adversely affect that sector or area, and the value of a portfolio using such a strategy may fluctuate more than a less concentrated portfolio.

**Convertible and Other Hybrid Securities Risk.** Convertible and other hybrid securities (including preferred and convertible instruments) generally possess certain characteristics of both equity and debt securities. In addition to risks associated with investing in income securities, such as interest rate and credit risks, hybrid securities may be subject to issuer-specific and market risks generally applicable to equity securities. Convertible securities may also react to changes in the value of the common stock into which they convert, and are thus subject to equity investing and market risks. A convertible security may be converted at an inopportune time, which may decrease a client's return.

**Corporate Debt Risk.** Corporate debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and may also be subject to price volatility

due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. When interest rates rise, the value of corporate debt securities can be expected to decline. Debt securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities. Company defaults can impact the level of returns generated by corporate debt securities. An unexpected default can reduce income and the capital value of a corporate debt security. Furthermore, market expectations regarding economic conditions and the likely number of corporate defaults may impact the value of corporate debt securities.

**Counterparty Risk.** A financial institution or other counterparty with whom an investor does business (such as trading or securities lending), or that underwrites, distributes or guarantees any investments or contracts that an investor owns or is otherwise exposed to, may decline in financial condition and become unable to honor its commitments. This could cause the value of an investor's portfolio to decline or could delay the return or delivery of collateral or other assets to the investor. Although there can be no assurance that an investor will be able to do so, the investor may be able to reduce or eliminate its exposure under a swap agreement either by assignment or other disposition, or by entering into an offsetting swap agreement with the same party or another creditworthy party. The investor may have limited ability to eliminate its exposure under a credit default swap if the credit of the referenced entity or underlying asset has declined.

**Credit Risk.** Debt obligations are subject to the risk of non-payment of scheduled principal and interest. Changes in economic conditions or other circumstances may reduce the capacity of the party obligated to make principal and interest payments on such instruments and may lead to defaults. Such non-payments and defaults may reduce the value of, or income distributions from, a client portfolio. The value of a fixed income security also may decline because of concerns about the issuer's ability to make principal and interest payments. In addition, the credit ratings of debt obligations may be lowered if the financial condition of the party obligated to make payments with respect to such instruments changes. Credit ratings assigned by rating agencies are based on a number of factors and do not necessarily reflect the issuer's current financial condition or the volatility or liquidity of the security. In the event of bankruptcy of the issuer of debt obligations, a client portfolio could experience delays or limitations with respect to its ability to realize the benefits of any collateral securing the instrument. In order to enforce its rights in the event of a default, bankruptcy or similar situation, a client may be required to retain legal or similar counsel at their own expense.

**Currency Risk.** In general, the value of investments in, or denominated in, foreign currencies increases when the U.S. dollar is weak (i.e., is losing value relative to foreign currencies) or when foreign currencies are strong (i.e., are gaining value relative to the U.S. dollar). When foreign currencies are weak or the U.S. dollar is strong, such investments generally will decrease in value. The value of foreign currencies as measured in U.S. dollars may be unpredictably affected by changes in foreign currency rates and exchange control regulations, application of foreign tax laws (including withholding tax), governmental administration of economic or monetary policies (in the U.S. or abroad), intervention (or the failure to intervene) by U.S. or foreign governments or central banks, and relations between nations. A devaluation of a currency by a country's government or banking authority will have a significant impact on the value of any investments denominated in that currency. Currency markets generally are not as regulated as securities

markets and currency transactions are subject to settlement, custodial and other operational risks. Exposure to foreign currencies through derivative instruments will also be subject to the Derivatives Risks described below.

**Cyber Security Risk.** With the increased use of technologies to conduct business, such as the Internet, EVIC is susceptible to operational, information security and related risks. EVIC relies on communications technology, systems, and networks to engage with clients, employees, accounts, shareholders, and service providers, and a cyber incident may inhibit EVIC's ability to use these technologies. In general, cyber incidents can result from deliberate attacks or unintentional events by insiders or third parties, including cybercriminals, competitors, nation-states and "hacktivists," among others. Cyber attacks include, but are not limited to, phishing, gaining unauthorized access to digital systems (e.g., through "hacking" or infection from or spread of malware, ransomware, computer viruses or other malicious software coding) for purposes of misappropriating assets or sensitive information, structured query language attacks, corrupting data, or causing operational disruption. Cyber attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of service attacks on websites. A denial-of-service attack is an effort to make network services unavailable to intended users), which could cause EVIC and clients to lose access to their electronic accounts, potentially indefinitely. Employees and service providers of EVIC may not be able to access electronic systems to perform critical duties, such as trading and account oversight, during a denial-of-service attack. There is also the possibility for systems failures due to malfunctions, user error and misconduct by employees and agents, natural disasters, or other foreseeable and unforeseeable events.

Because technology is consistently changing, new ways to carry out cyber attacks are always developing. Therefore, there is a chance that some risks have not been identified or prepared for, or that an attack may not be detected, which puts limitations on EVIC's ability to plan for or respond to a cyber attack. Like other business enterprises, EVIC and its service providers have experienced, and will continue to experience, cyber incidents consistently. In addition to deliberate cyber attacks, unintentional cyber incidents can occur, such as the inadvertent release of confidential information by EVIC or its service providers. To date, cyber incidents have not had a material adverse effect on EVIC's business operations or performance.

EVIC uses third party service providers who are also heavily dependent on computers and technology for their operations. Cybersecurity failures or breaches by EVIC's affiliates, other service providers and the issuers of securities in which a client invests, may disrupt and otherwise adversely affect their business operations. This may result in financial losses to EVIC or clients or cause violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, litigation costs, or additional compliance costs. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. While EVIC and many of its service providers have established business continuity plans and risk management systems intended to identify and mitigate cyber attacks, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. EVIC cannot control the cybersecurity plans and systems put in place by service providers and issuers in which EVIC invests on behalf of clients. EVIC and clients could be negatively impacted as a result.

**Data Source Risk:** EVIC subscribes to a variety of third party data sources that are used to evaluate, analyze and formulate investment decisions. If a third party provides inaccurate data, client accounts may be negatively affected. While EVIC believes the third party data sources are reliable, there are no guarantees that data will be accurate.

**Debt Market Risk:** Economic and other events (whether real or perceived) can reduce the demand for certain income securities or for investments generally, which may reduce market prices and cause the value of a client portfolio to fall. The frequency and magnitude of such changes cannot be predicted. Certain securities and other investments can experience downturns in trading activity and, at such times, the supply of such instruments in the market may exceed the demand. At other times, the demand for such instruments may exceed the supply in the market. An imbalance in supply and demand in the market may result in valuation uncertainties and greater volatility, less liquidity, wider trading spreads and a lack of price transparency in the market. No active trading market may exist for certain investments, which may impair the ability to sell or to realize the full value of such investments in the event of the need to liquidate such assets. Adverse market conditions may impair the liquidity of some actively traded investments.

**Derivatives Risk.** The use of derivatives can lead to losses because of adverse movements in the price or value of the asset, index, rate or instrument (“reference instrument”) underlying a derivative, due to failure of the counterparty or tax or regulatory constraints. In this context, derivatives include but are not limited to: futures, forwards, options, participatory notes, warrants, and other similar instruments that may be valued based upon another or related asset. Derivatives can create economic leverage in a client portfolio, which magnifies the portfolio’s exposure to the underlying investment. Derivatives risk may be more significant when derivatives are used to enhance return or as a substitute for a position or security, rather than solely to hedge the risk of a position or security held by a client portfolio. Derivatives for hedging purposes may not reduce risk if they are not sufficiently correlated to the position being hedged. A decision as to whether, when and how to use derivatives involves the exercise of specialized skill and judgment, and a transaction may be unsuccessful in whole or in part because of market behavior or unexpected events. Derivative instruments may be difficult to value, may be illiquid, and can be subject to wide swings in valuation caused by changes in the value of the underlying instrument. If a derivative counterparty is unable to honor its commitments, the value of a client portfolio may decline and/or the portfolio could experience delays in the return of collateral or other assets held by the counterparty. The loss on derivative transactions can substantially exceed the initial investment. Certain strategies use derivatives extensively. Derivative investments also involve the risks relating to the reference instrument.

**Dividend Strategy Risk:** Clients invested in strategies designed to invest in dividend paying securities may be subject to certain risks. These include issuers which have historically paid dividends reducing or ceasing to pay dividends in the future, which may additionally negatively impact the price of the security. In times of economic stress, large amounts of issuers may reduce or eliminate dividends, impacting the ability of EVIC to execute its desired strategy.

**Duration Risk.** Duration measures the expected life of a fixed-income security, which can determine its sensitivity to changes in the general level of interest rates. Securities with longer durations tend to be more sensitive to interest rate changes than securities with shorter durations.

A portfolio with a longer dollar-weighted average duration can be expected to be more sensitive to interest rate changes than a portfolio with a shorter dollar-weighted average duration. Duration differs from maturity in that it considers a security's coupon payments in addition to the amount of time until the security matures. As the value of a security changes over time, so will its duration.

**Emerging Markets Investment Risk.** Investment markets in emerging market countries are typically smaller, less liquid and more volatile than developed markets, and emerging market securities often involve greater risks than developed market securities. Such risks may be greater in frontier markets.

**Equity Securities Risk.** The value of equity securities and related instruments may decline in response to adverse changes in the economy or the economic outlook; deterioration in investor sentiment; interest rate, currency, and commodity price fluctuations; adverse geopolitical, social or environmental developments; issuer and sector-specific considerations, which are more significant in a concentrated or focused client portfolio that invests in a limited number of securities; or other factors. Market conditions may affect certain types of stocks to a greater extent than other types of stocks. If the stock market declines in value, the value of a client portfolio's equity securities will also likely decline. Although prices can rebound, there is no assurance that values will return to previous levels.

**ETF Risk.** Investing in an ETF exposes a client portfolio to all of the risks of that ETF's investments and subjects it to a pro rata portion of the ETF's fees and expenses. As a result, the cost of investing in ETF shares may exceed the cost of investing directly in its underlying investments. ETF shares trade on an exchange at a market price which may vary from the ETF's net asset value. ETFs may be purchased at prices that exceed the net asset value of their underlying investments and may be sold at prices below such net asset value. Because the market price of ETF shares depends on market demand, the market price of an ETF may be more volatile than the underlying portfolio of securities the ETF is designed to track. A client account may not be able to liquidate ETF holdings at the time and price desired, which may impact performance.

**ETN Risk.** An exchange-traded note (ETN) is a debt obligation and its payments of interest or principal are linked to the performance of a referenced investment (typically an index). ETNs are subject to the performance of their issuer and may lose all or a portion of their entire value if the issuer fails or its credit rating changes. An ETN that is tied to a specific index may not be able to replicate and maintain exactly the composition and weighting of the components of that index. ETNs also incur certain expenses not incurred by the referenced investment and the cost of owning an ETN may exceed the cost of investing directly in the referenced investment. The market trading price of an ETN may be more volatile than the referenced investment it is designed to track. ETNs may be purchased at prices that exceed net asset value and may be sold at prices below such value. A client account may not be able to liquidate ETN holdings at the time and price desired, which may impact performance.

**European Economic and Market Events.** In June 2016, the United Kingdom ("UK") voted in a referendum to leave the European Union ("EU") ("Brexit"). Following a period of impasse within the UK Parliament, the UK held a general election on December 12, 2019 in which the Conservative Party, which is in favor of Brexit, won a significant majority. The UK Government

is expected to move ahead with approving the UK-EU withdrawal agreement that will bring about Brexit and to focus attention on the nature of the UK's future relationship with the EU. There is significant market uncertainty regarding Brexit's ramifications, and the range and potential implications of possible political, regulatory, economic, and market outcomes in the EU and beyond are difficult to predict. If one or more countries leave the EU or the EU dissolves, the world's securities markets likely will be significantly disrupted. Brexit may cause greater market volatility and illiquidity, currency fluctuations, deterioration in economic activity, a decrease in business confidence, and increased likelihood of a recession in the UK.

**Foreign, Emerging and Frontier Markets Risk.** The value of a client portfolio may be adversely affected by changes in currency exchange rates and political and economic developments across multiple borders. In emerging or less developed countries, these risks can be more significant than in major markets in developed countries. Generally, investment markets in emerging and frontier countries are substantially smaller, less liquid and more volatile, and as a result, the value of a portfolio investing in emerging or frontier markets may be more volatile. Emerging and frontier market investments often are subject to speculative trading, which typically contributes to volatility. Emerging and frontier market countries also may have relatively unstable governments and economies. Trading in foreign, emerging and frontier markets usually involves higher expenses than trading in the U.S. A client portfolio investing in these markets may have difficulties enforcing its legal or contractual rights in a foreign country. Depositary receipts are subject to many of the risks associated with investing directly in foreign securities, including political and economic risks. While American Depositary Receipts (ADRs) are denominated in U.S. dollars, they are still subject to currency exchange rate risks. ADRs are traded on U.S. market hours which do not match the local markets. Due to this, ADR prices are also subject to exchange rate fluctuations and market information outside of local market hours.

**General Investing Risks.** Most investment strategies are not intended to be a complete investment program. All investments carry a certain amount of risk and there is no guarantee that a client portfolio will be able to achieve its investment objective. Investors generally should have a long-term investment perspective and be able to tolerate potentially sharp declines in value and/or investment losses. Investment advisers, other market participants and many securities markets are subject to rules and regulations and the jurisdiction of one or more regulators. Changes to applicable rules and regulations could have an adverse effect on securities markets and market participants, as well as on the ability to execute a particular investment strategy.

**Government, Political, and Regulatory Risk.** U.S. and foreign legislative, regulatory, and other government actions which may include changes to regulations, the tax code, trade policy, or the overall regulatory environment may negatively affect the value of securities within a client's account, or may affect EVIC's ability to execute its investing strategies. If compliance costs associated with such events increase, the costs of investing may increase, negatively affecting clients.

**Hedge Correlation Risk.** Certain strategies seek to maintain substantially offsetting exposures and follow a generally market-neutral approach. Hedging instruments utilized for these strategies may not maintain the intended correlation to the investment being hedged or may otherwise fail to

achieve their intended purpose. Failure of the hedge instruments to track a client portfolio's investments could result in the client portfolio having substantial residual exposure to market risk.

**Income Risk.** A portfolio's ability to generate income will depend on the yield available on the securities held by the portfolio. In the case of equity securities, changes in the dividend policies of companies held by a client portfolio could make it difficult for the portfolio to generate a predictable level of income. The use of dividend-capture strategies to generate income will generally expose a client portfolio to higher portfolio turnover, increased trading costs and the potential for capital loss or gain, particularly in the event of significant short-term price movements of stocks subject to dividend capture trading.

**Inflation- Linked Security Risk.** Inflation-linked debt securities are subject to the effects of changes in market interest rates caused by factors other than inflation (real interest rates). In general, the price of an inflation-linked security tends to decrease when real interest rates increase and can increase when real interest rates decrease. Interest payments on inflation-linked securities may vary widely and will fluctuate as the principal and interest are adjusted for inflation. Any increase in the principal amount of an inflation-linked debt security will be taxable ordinary income, even though the portfolio will not receive the principal until maturity. There can be no assurance that the inflation index used will accurately measure the real rate of inflation in the prices of goods and services. A portfolio's investments in inflation-linked securities may lose value in the event that the actual rate of inflation is different than the rate of the inflation index.

**Interest Rate Risk.** As interest rates rise, the value of a client portfolio invested primarily in fixed-income securities or similar instruments is likely to decline. Conversely, when interest rates decline, the value of such a client portfolio is likely to rise. Securities with longer maturities are more sensitive to changes in interest rates than securities with shorter maturities, making them more volatile. A rising interest rate environment may extend the average life of mortgages or other asset-backed receivables underlying mortgage-backed or asset-backed securities. This extension increases the risk of depreciation due to future increases in market interest rates. In a declining interest rate environment, prepayment of certain types of securities may increase. In such circumstances, the portfolio manager may have to reinvest the prepayment proceeds at lower yields. A strategy that is managed toward an income objective may hold securities with longer maturities and therefore be more exposed to interest rate risk than a strategy focused on total return.

**Issuer Diversification Risk.** A fund or strategy may be "non-diversified," which means it may invest a greater percentage of its assets in the securities of a single issuer than a fund or strategy that is "diversified." Non-diversified funds and strategies may focus their investments in a small number of issuers, making them more susceptible to risks affecting such issuers than a more diversified fund or strategy might be.

**Leverage Risk.** Certain types of investment transactions may give rise to a form of leverage. Such transactions may include, among others, borrowing, the use of when-issued, delayed delivery or forward commitment transactions, residual interest bonds, short sales and certain derivative transactions. A client portfolio may be required to segregate liquid assets or otherwise cover the portfolio's obligation created by a transaction that may give rise to leverage. To satisfy the portfolio's obligations or to meet segregation requirements, portfolio positions may be required to

be liquidated when it is not be advantageous to do so. Leverage and borrowing can cause the value of a client portfolio to be more volatile than if it had not been leveraged, as certain types of leverage may exaggerate the effect of any increase or decrease in the value of securities in a client portfolio. Leverage and borrowing may lead to additional costs to clients, including interests, fees, and other related investors. Losses on leveraged transactions can substantially exceed the initial investment.

**LIBOR Risk:** The London Interbank Offered Rate (“LIBOR”) is the average offered rate for various maturities of short-term loans between major international banks who are members of the British Bankers Association (BBA). LIBOR is the most common benchmark interest rate index used to make adjustments to variable-rate loans. It is used throughout global banking and financial industries to determine interest rates for a variety of financial instruments (such as debt instruments and derivatives) and borrowing arrangements.

The use of LIBOR started to come under pressure following manipulation allegations in 2012. Despite increased regulation and other corrective actions since that time, concerns have arisen regarding its viability as a benchmark, due largely to reduced activity in the financial markets that it measures. In July 2017, the Financial Conduct Authority (the “FCA”), the United Kingdom financial regulatory body, announced a desire to phase out the use of LIBOR by the end of 2021.

Although the period from the FCA announcement until the end of 2021 is generally expected to be enough time for market participants to transition to the use of a different benchmark for new securities and transactions, there remains uncertainty regarding the future utilization of LIBOR and the specific replacement rate or rates. As such, the potential effect of a transition away from LIBOR on securities for which EVIC invests in on behalf of clients cannot yet be determined. The transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that currently rely on LIBOR. The transition may also result in a change in (i) the value of certain instruments held by clients, (ii) the cost of borrowing for clients, or (iii) the effectiveness of related client transactions such as hedges, as applicable. When LIBOR is discontinued, the LIBOR replacement rate may be lower than market expectations, which could have an adverse impact on the value of preferred and debt-securities with floating or fixed-to-floating rate coupons. Any such effects of the transition away from LIBOR, as well as other unforeseen effects, could result in losses to clients. Since the usefulness of LIBOR as a benchmark could deteriorate during the transition period, these effects could occur prior to the end of 2021.

Various financial industry groups have begun planning for the transition away from LIBOR, but there are obstacles to converting certain longer term securities and transactions to a new benchmark. In June 2017, the Alternative Reference Rates Committee, a group of large U.S. banks working with the Federal Reserve, announced its selection of a new Secured Overnight Financing Rate (“SOFR”), which is intended to be a broad measure of secured overnight U.S. Treasury repo rates, as an appropriate replacement for LIBOR. The Federal Reserve Bank of New York began publishing the SOFR earlier in 2018, with the expectation that it could be used on a voluntary basis in new instruments and transactions. Bank working groups and regulators in other countries have suggested other alternatives for their markets, including the Sterling Overnight Interbank Average Rate (“SONIA”) in England.

**Liquidity Risk.** A client portfolio is exposed to liquidity risk when trading volume, lack of a



market maker or trading partner, large position size, market conditions, or legal restrictions impair its ability to sell particular investments or to sell them at advantageous market prices. Consequently, the client portfolio may have to accept a lower price to sell an investment or continue to hold it or keep the position open, sell other investments to raise cash or abandon an investment opportunity, any of which could have a negative effect on the portfolio's performance. These effects may be exacerbated during times of financial or political stress.

**Lower Rated Investments Risk.** Investments rated below investment grade and comparable unrated investments (sometimes referred to as “junk”) have speculative characteristics because of the credit risk associated with their issuers. Changes in economic conditions or other circumstances typically have a greater effect on the ability of issuers of lower rated investments to make principal and interest payments than they do on issuers of higher rated investments. An economic downturn generally leads to a higher non-payment rate, and a lower rated investment may lose significant value before a default occurs. Lower rated investments typically are subject to greater price volatility and illiquidity than higher rated investments.

**Market Risk.** Economic and other events (whether real or perceived) such as pandemics, global health crises, war, terrorism, or other geopolitical events can increase volatility and reduce the demand for certain securities or for investments generally, which may reduce market prices and cause the value of a client portfolio to fall. The frequency and magnitude of such changes cannot be predicted. Certain securities can experience downturns in trading activity and, at such times, the supply of such instruments in the market may exceed the demand. At other times, the demand for such instruments may exceed the supply in the market. An imbalance in supply and demand in the market may result in valuation uncertainties and greater volatility, less liquidity, widening credit spreads and a lack of price transparency in the market. No active trading market may exist for certain investments, which will impair the ability of the portfolio manager to sell or to realize the full value of such investments in the event of the need to liquidate such assets. Adverse market conditions can impair the liquidity of some actively traded investments. COVID-19, which originated at the end of 2019, has led to a global pandemic and has caused unprecedented market, employment, and societal disruptions in the United States and across the world. It is unknown how long these disruptions will last, if they may become more severe, or if they may lead to additional geopolitical or market risk which could negatively affect markets, liquidity, and investment valuation.

**Maturity Risk.** Interest rate risk will generally affect the price of a fixed income security more if the security has a longer maturity. Fixed income securities with longer maturities will therefore be more volatile than other fixed income securities with shorter maturities. Conversely, fixed income securities with shorter maturities will be less volatile but generally provide lower returns than fixed income securities with longer maturities. The average maturity of a client portfolio's investments will affect the volatility of the portfolio's rate of return.

**Model and Quantitative Risks.** Certain strategies use proprietary and third party quantitative modeling techniques in making investment decisions. Such techniques have not been independently tested or validated, and there can be no assurance that these techniques will achieve

the desired results. If these techniques have errors, or are flawed or incomplete and such issues are not identified, it may have an adverse effect client investment performance.

**Mortgage- and Asset-Backed Securities Risk.** Mortgage- and asset-backed securities represent interests in “pools” of commercial or residential mortgages or other assets, including consumer loans or receivables. Movements in interest rates (both increases and decreases) may quickly and significantly reduce the value of certain types of mortgage- and asset-backed securities. Although certain mortgage- and asset-backed securities are guaranteed as to timely payment of interest and principal by a government entity, the market price for such securities is not guaranteed and will fluctuate. The purchase of mortgage- and asset-backed securities issued by non-government entities may entail greater risk than such securities that are issued or guaranteed by a government entity. Mortgage- and asset-backed securities issued by non-government entities may offer higher yields than those issued by government entities, but may also be subject to greater volatility than government issues and can also be subject to greater credit risk and the risk of default on the underlying mortgages or other assets. Investments in mortgage- and asset-backed securities are subject to both extension risk, where borrowers pay off their debt obligations more slowly in times of rising interest rates, and prepayment risk, where borrowers pay off their debt obligations sooner than expected in times of declining interest rates.

**Municipal Obligation Risk.** The amount of public information available about municipal obligations is generally less than for corporate equities or bonds, meaning that the investment performance of municipal obligations may be more dependent on the analytical abilities of the investment adviser than stock or corporate bond investments. The secondary market for municipal obligations also tends to be less well-developed and less liquid than many other securities markets, which may limit a client portfolio’s ability to sell its municipal obligations at attractive prices. The differences between the price at which an obligation can be purchased and the price at which it can be sold may widen during periods of market distress. Less liquid obligations can become more difficult to value and be subject to erratic price movements. The increased presence of nontraditional participants (such as proprietary trading desks of investment banks and hedge funds) or the absence of traditional participants (such as individuals, insurance companies, banks and life insurance companies) in the municipal markets may lead to greater volatility in the markets because non-traditional participants may trade more frequently or in greater volume.

**Option Strategy Risks.** Certain client portfolios employ an option strategy that seeks to take advantage of a general excess of option price-implied volatilities for a specified stock or index over the stock or index’s subsequent realized volatility. This market observation is often attributed to the unknown risk to which an option seller is exposed to in comparison to the fixed risk to which an option buyer is exposed. There can be no assurance that this imbalance will apply in the future over specific periods or generally. It is possible that the imbalance could decrease or be eliminated by actions of investors that employ strategies seeking to take advantage of the imbalance, which would have an adverse effect on the client portfolio’s ability to achieve its investment objective. Further, directional movements of the underlying index or stock may overwhelm the volatility differential for any given option resulting in a loss, regardless of the volatility relationship during that specific option’s term. Call spread and put spread selling strategies employed by certain strategies are based on a specified index or on exchange-traded funds that replicate the performance of certain indexes. If the index or an ETF appreciates or depreciates sufficiently over

the period to offset the net premium received, the client portfolio will incur a net loss. The amount of potential loss in the event of a sharp market movement is subject to a cap defined by the difference in strike prices between written and purchased call and put options. The value of the specified exchange-traded fund is subject to change as the values of the component securities fluctuate. Also, it may not exactly match the performance of the specified index.

**Pooled Investment Vehicles Risk.** Pooled investment vehicles include open- and closed-end investment companies, ETFs, and private funds. Pooled investment vehicles are subject to the risks of investing in the underlying securities or other investments. Shares of closed-end investment companies and ETFs may trade at a premium or discount to net asset value and are subject to secondary market trading risks. In addition, except as otherwise noted in this Form ADV Part 2A, the client portfolio will bear a pro rata portion of the operating expenses of a pooled investment vehicle in which it invests.

**Portfolio Turnover Risk.** The annual portfolio turnover rate of certain strategies and funds may exceed 100%. A fund or strategy with a high turnover rate (100% or more) may generate more capital gains and may involve greater expenses (which may reduce return) than a fund or strategy with a lower rate. Capital gains distributions will be made to investors if offsetting capital loss carry forwards do not exist.

**Preferred Stock Risk.** Although preferred stocks represent an ownership interest in an issuer, preferred stocks generally do not have voting rights or have limited voting rights and have economic characteristics similar to fixed-income securities. Preferred stocks are subject to issuer-specific risks generally applicable to equity securities and credit and interest rate risks generally applicable to fixed-income securities. The value of preferred stock generally declines when interest rates rise and may react more significantly than bonds and other debt instruments to actual or perceived changes in the company's financial condition or prospects.

**Real Estate Risk.** Real estate investments are subject to risks associated with owning real estate, including declines in real estate values, increases in property taxes, fluctuations in interest rates, limited availability of mortgage financing, decreases in revenues from underlying real estate assets, declines in occupancy rates, changes in government regulations affecting zoning, land use, and rents, environmental liabilities, and risks related to the management skill and creditworthiness of the issuer. Companies in the real estate industry may also be subject to liabilities under environmental and hazardous waste laws, among others. REITs must satisfy specific requirements for favorable tax treatment and can involve unique risks in addition to the risks generally affecting the real estate industry. Funds are generally not eligible for a deduction from dividends received from REITs that is available to individuals who invest directly in REITs. Changes in underlying real estate values may have an exaggerated effect to the extent that investments are concentrated in particular geographic regions or property types.

**Restricted Securities Risk.** Unless registered for sale to the public under applicable federal securities law, restricted securities can be sold only in private transactions to qualified purchasers pursuant to an exemption from registration. The sale price realized from a private transaction could be less than the investor's purchase price for the restricted security. It may be difficult to identify

a qualified purchaser for a restricted security held by an investor and such security could be deemed illiquid. It may also be more difficult to value such securities.

**Responsible Investing and ESG Risk.** Clients utilizing responsible investing strategies and environment, social responsibility and corporate governance (ESG) factors may underperform strategies which do not utilize responsible investing and ESG considerations. Responsible investing and ESG strategies may operate by either excluding the investments of certain issuers or by selecting investments based on their compliance with factors such as ESG. These strategies may exclude certain sectors or industries from a client's portfolio, potentially negatively affecting the client's investment performance if the excluded sector or industry outperforms. Responsible investing and ESG are subjective by nature, and EVIC may rely on analysis and 'scores' provided by third parties in determining whether an issuer meets EVIC's standards for inclusion or exclusion. A client's perception may differ from EVIC's or a third party's on how to judge an issuers adherence to responsible investing principles.

**Risk of Residual Interest Bonds.** A client portfolio may enter into residual interest bond transactions, which expose the portfolio to leverage and greater risk than an investment in a fixed-rate municipal bond. Residual interest bonds are issued by a trust (the "trust") that holds municipal obligations and the value of residual interest bonds is derived from the value of such obligations. The trust also issues floating-rate notes to third parties that may be senior to the residual interest bonds. Residual interest bonds make interest payments to holders of the residual interest that bear an inverse relationship to both the interest rate paid on the floating-rate notes and short-term interest rates, normally decreasing when short-term rates increase. The value and market for residual interest bonds are volatile and such bonds may have limited liquidity. As required by applicable accounting standards, a registered funds that hold these bonds records interest expense as a liability with respect to floating-rate notes and also records offsetting interest income in an amount equal to this expense.

**Risks of Repurchase Agreements and Reverse Repurchase Agreements.** In the event of the insolvency of the counterparty to a repurchase agreement or reverse repurchase agreement, recovery of the repurchase price owed to a client portfolio or, in the case of a reverse repurchase agreement, the securities sold by the client portfolio, may be delayed. In a repurchase agreement, such insolvency may result in a loss to the extent that the value of the purchased securities decreases during the delay or that value has otherwise not been maintained at an amount equal to the repurchase price. In a reverse repurchase agreement, the counterparty's insolvency may result in a loss equal to the amount by which the value of the securities sold by the client portfolio exceeds the repurchase price payable by the client portfolio; if the value of the purchased securities increases during such a delay, that loss may also be increased. When the client portfolio enters into a reverse repurchase agreement, any fluctuations in the market value of either the securities sold to the counterparty or the securities which the client portfolio purchases with its proceeds from the agreement would affect the value of the portfolio's assets. Because reverse repurchase agreements may be considered to be a form of borrowing by the client portfolio (and a loan from the counterparty), they constitute leverage. If an investor reinvests the proceeds of a reverse repurchase agreement at a rate lower than the cost of the agreement, entering into the agreement will lower the investor's yield.

**Sector and Geographic Risk.** A client portfolio may invest significantly in one or more sectors or geographic regions. As such, the value of the client portfolio may be affected by events that adversely affect such sector(s)/geographic regions, and may fluctuate more than that of a portfolio that invests more broadly.

**Securities Lending Risk.** Securities lending involves a possible delay in recovery of the loaned securities or a possible loss of rights in the collateral if the borrower fails financially. An investor could also lose money if the value of the collateral decreases.

**Short Sale Risk.** A client portfolio will incur a loss as a result of a short sale if the price of the security sold short increases in value between the date of the short sale and the date on which the portfolio purchases the security to replace the borrowed security. In addition, a lender may request, or market conditions may dictate, that securities sold short be returned to the lender on short notice, and the client portfolio may have to buy the securities sold short at an unfavorable price and/or may have to sell related long positions before it had intended to do so. The client portfolio may not be able to successfully implement its short sale strategy due to limited availability of desired securities or for other reasons. The client portfolio may also be required to pay a premium and other transaction costs, which would increase the cost of the security sold short. The amount of any gain will be decreased and the amount of any loss increased, by the amount of the premium, dividends, interest or expenses the client portfolio may be required to pay in connection with the short sale. Because losses on short sales arise from increases in the value of the security sold short, the investor's losses are potentially unlimited in a short sale transaction. Short sales could be speculative transactions and involve special risks, including greater reliance on the investment adviser's ability to accurately anticipate the future value of a security.

**Small Companies Risk.** Smaller companies are generally subject to greater price fluctuations, limited liquidity, higher transaction costs and higher investment risk than larger, more established companies. Such companies may have limited product lines, markets or financial resources, may be dependent on a limited management group, lack substantial capital reserves or an established performance record. There is generally less publicly available information about such companies than for larger, more established companies. Stocks of these companies frequently have lower trading volumes, making them more volatile and potentially more difficult to value.

**Stripped Securities Risk.** Stripped Securities ("Strips") are usually structured with classes that receive different proportions of the interest and principal distributions from an underlying asset or pool of underlying assets. Classes may receive only interest distributions (interest-only "IO") or only principal (principal-only "PO"). Strips are particularly sensitive to changes in interest rates because this may increase or decrease prepayments of principal. A rapid or unexpected increase in prepayments can significantly depress the value of IO Strips, while a rapid or unexpected decrease can have the same effect on PO Strips.

**Structured Management Risk.** EVIC uses rules-based, proprietary investment techniques and analyses in making investment decisions. These strategies seek to take advantage of certain quantitative and/or behavioral market characteristics identified by EVIC, utilizing rules-based country, sector and commodity weighting processes, structured allocation methodologies and

disciplined rebalancing models. These investment strategies have not been independently tested or validated, and there can be no assurance they will achieve the desired results.

**Swap Risk.** The use of swap transactions is a highly specialized activity that involves strategies and risks different from those associated with ordinary portfolio security transactions. Incorrectly forecasting default risks, market spreads or other applicable factors or events can significantly affect investment performance. Swaps are highly illiquid and not easily traded away. The portfolio generally may only close out a swap or other two-party contract with its particular counterparty, and generally may only transfer a position with the consent of that counterparty. In addition, the price at which the portfolio may close out such a two-party contract may not correlate with the price change in the underlying reference asset. If the counterparty (whether a clearing corporation, as in the case of exchange-traded instruments, or another third party, as in the case of over-the-counter instruments) defaults, there can be no assurance that the counterparty will be able to meet or enforce the contractual obligations. It is also possible that developments in the derivatives market, including changes in government regulation, could adversely affect the manager's ability to terminate existing swap or other agreements or to realize amounts to be received under such agreements.

**Tax-Managed Investing Risk.** Investment strategies that seek to enhance after-tax performance may be unable to fully realize strategic gains or harvest losses due to various factors. Market conditions may limit the ability to generate tax losses. A tax-managed strategy may cause a client portfolio to hold a security in order to achieve more favorable tax treatment or to sell a security in order to create tax losses. A tax loss realized by a U.S. investor after selling a security will be negated if the investor purchases the security within thirty days. Although EVIC avoids "wash sales" whenever possible and temporarily restricts securities it has sold at a loss to prevent them, a wash sale can occur inadvertently because of trading by a client in portfolios not managed by EVIC. A wash sale may also be triggered by EVIC when it has sold a security for loss harvesting and shortly thereafter the firm is directed by the client to invest a substantial amount of cash resulting in a repurchase of the security.

**Tax Risk.** The tax treatment of investments held in a client portfolio may be adversely affected by future tax legislation, Treasury Regulations and/or guidance issued by the Internal Revenue Service that could affect the character, timing, and/or amount of taxable income or gains attributable to an account. Income from tax-exempt municipal obligations could be declared taxable because of unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or non-compliant conduct of a bond issuer.

**Tax-Straddle Risk.** Investment strategies that utilize off-setting positions on a security or a portfolio of securities must adhere to specific rules and provisions under the Internal Revenue Code in order to avoid negative tax consequences. These provisions apply to an investor's entire investment portfolio including accounts not managed by EVIC. While EVIC seeks to avoid "tax straddles", an investor's ability to realize tax benefits (e.g., defer gains, deduct interest, convert short term gains into long term gains) may be negated by transactions and holdings of which EVIC is not aware.

**Tracking Error Risk.** Tracking error risk refers to the risk that the performance of a client portfolio may not match or correlate to that of the index it attempts to track, either on a daily or aggregate basis. Factors such as fees and trading expenses, client-imposed restrictions, imperfect correlation between the portfolio's investments and the index, changes to the composition of the index, regulatory policies, high portfolio turnover and the use of leverage all contribute to tracking error. Tracking error risk may cause the performance of a client portfolio to be less or more than expected.

**U.S. Government Securities Risk.** Although certain U.S. Government-sponsored agencies (such as the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association) may be chartered or sponsored by acts of Congress, their securities are neither issued nor guaranteed by the U.S. Treasury. U.S. Treasury securities generally have a lower return than other obligations because of their higher credit quality and market liquidity.

**When-Issued and Forward Commitment Risk.** Securities purchased on a when-issued or forward commitment basis are subject to the risk that when delivered they will be worth less than the agreed upon payment price.

## **Item 9 - Disciplinary Information**

During the past ten years, EVIC has not been subject to any material disciplinary or legal events.



## Item 10 - Other Financial Industry Activities and Affiliations

Eaton Vance Corp., the parent company of EVIC, owns all of the outstanding stock of Eaton Vance Distributors, Inc. (“EVD”), a broker-dealer registered with the Securities and Exchange Commission. EVD serves as principal underwriter and distributor open-end investment companies advised by affiliates of EVIC. Certain officers and employees of EVIC are registered representatives of EVD.

*Eaton Vance Management.* EVM is registered as an investment adviser with the SEC and serves as administrator and/or investment adviser to certain open- and closed-end investment companies and private fund (the “EV Funds”), and separately managed accounts. EVIC may invest its clients in EV Funds. EVM is a sub-adviser to certain separately managed EVIC clients. EVM is registered with the SEC as a non-bank transfer agent. EVM is registered with the CFTC as a commodity pool operator (“CPO”) and a commodity trading advisor (“CTA”) and is a member of the National Futures Association (“NFA”). Certain officers of EVM are also officers of EVIC. EVIC has entered into agreements with EVM whereby EVM provides to EVIC certain services such as accounting, finance, human resources, information technology, and legal. EVM may provide EVIC with model portfolios in the future.

EVM owns Boston Management and Research (“BMR”), which serves as investment adviser to certain EV Funds and to certain portfolios for which EV Funds are the sole investors. BMR also acts as investment adviser to certain funds exempt from registration. BMR is registered as an investment adviser with the SEC. BMR is registered with the CFTC as a CPO and CTA and is a member of the NFA. Employees of Eaton Vance are considered employees of BMR.

Eaton Vance also owns Eaton Vance Global Advisors Limited (“EVGA”) (previously known as Eaton Vance Advisers (Ireland) Limited), which serves as a UCITS Management Company and investment adviser. EVGA is registered with the Central Bank of Ireland. EVGA and EVAIL have entered into a participating affiliate agreement under which EVGA acts as an investment adviser to certain Funds and clients. Eaton Vance also owns Eaton Vance Management (International) Limited (“EVMI”), which distributes products and services of Eaton Vance products in Europe and the Middle East. EVMI is registered as an investment adviser with the SEC and with the Financial Conduct Authority in the United Kingdom. EVMI owns Eaton Vance Management International (Asia) Pte. Ltd. (“EVMIA”), a financial services company registered with the Monetary Authority of Singapore and the Accounting and Corporate Regulatory Authority in Singapore, which conducts fund management and distributes Eaton Vance products and services in the Asia Pacific region ex-Japan. EVM also owns Eaton Vance Asia Pacific Ltd. (“EVAPac”) a Cayman Island Exempt Company and a financial services company registered as a financial instruments business operator in Japan under the Director General of the Kanto Local Finance Bureau. EVAPac distributes Eaton Vance services in Japan. EVMI, EVMIA, EVGA, EVAPac, and EVAIL have each entered into services agreements with each of EVM and BMR (the “Advisory Affiliates”) under which the Advisory Affiliates and EVMI/EVAIL may use the research, investment advisory and trading resources of the other to provide services to their clients. Each of EVMI, EVGA and EVAIL may recommend to its clients, or invest on behalf of its clients in, securities that are the subject of recommendations to, or discretionary trading on behalf of, an Advisory Affiliate’s clients. EVM and EVMIA’s trading desks execute trades on behalf of EVAIL.

Certain employees of Eaton Vance, through secondment agreements, provide services to EVAIL and EVMIA.

Eaton Vance Corp. owns Eaton Vance Trust Company, a limited purpose non-depository trust company organized and operating under the laws of Maine. Eaton Vance Trust Company provides custodial and/or corporate trustee services to certain EVIC clients. State Street Bank and Trust Company generally provides qualified custodial or sub-custodial services to these custodial accounts.

*Other Affiliates.* Eaton Vance Corp., through subsidiaries, owns approximately 100% of Atlanta Capital Management Company, LLC (“Atlanta Capital”). Atlanta Capital is registered as an investment adviser with the SEC. Eaton Vance Corp., through a subsidiary, owns approximately 49% of Hexavest Inc. Hexavest Inc., based in Canada, is registered with various Canadian regulatory agencies and as an investment adviser with the SEC and serves as sub-adviser to certain funds sponsored by affiliates.

Eaton Vance Corp., through subsidiaries, owns 100% of the outstanding shares of Parametric Portfolio Associates LLC (“PPA”). PPA is registered as an investment adviser with the SEC and various Canadian regulatory agencies. PPA is a sub-adviser to certain EV and Calvert Funds and manages separate accounts for individuals and institutions. PPA is registered as a CPO and CTA with the NFA and is a member of the NFA. PPA is a sub-adviser to certain separately managed EVIC clients.

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

EVIC has adopted various policies, including a Code of Ethics (the “Code”) to address the potential for self-dealing and conflicts of interest, which may arise with respect to personal securities trading by employees (including temporary employees), officers and other affiliated persons (“referred to as Employees”). The Code applies not only to Employees, but also to their “Immediate Family Members” (as defined in the Code), which includes persons sharing the same household with the Employee, excluding temporary houseguests. Affiliates of EVIC, including EVM have adopted the same Code and many of the same policies.

The Code and other policies cover, among other things, portfolio management and trading practices, personal investment transactions and insider trading. These policies set out standards of conduct to help Employees avoid potential and actual conflicts of interest and to ensure that client interests are put first. For example, the Code restricts the timing and other circumstances under which certain Employees may purchase or sell a security, which is being purchased or sold or (to their knowledge) is being considered for purchase or sale by a client. The Code further restricts or discourages certain investment activities, such as participation in Initial Public Offerings or limited offerings, frequent securities trading and the use of short sales. In addition, the Code prohibits personal securities transactions in derivatives, including options and futures.

Additionally, the Code prohibits Employees from purchasing or selling any security for their own account or for that of a client while in possession of material non-public information concerning the security or its issuer. Employees are required to obtain pre-clearance approval before trading in securities for their own account and to report their securities holdings, including any interests held in registered investment companies advised by EVIC or its affiliates. To facilitate this reporting, Employees are generally required to maintain personal brokerage accounts only at certain approved broker-dealers and to disclose these accounts to the Eaton Vance Compliance Department.

EVIC may impose remedial actions for violations of the Code. Such remedial actions may include, but are not limited to full or partial disgorgement of profits earned on an investment transaction, restricting personal trading, consideration of such violation during year-end performance and discretionary compensation review, censure, demotion, suspension or dismissal, or any other sanction or remedial action required or permitted by law, rule or regulation. As part of any remedial action, an Employee may be required to reverse an investment transaction and forfeit any profit or absorb any loss from the transaction.

In addition, each registered investment company advised or sub advised by EVIC and certain affiliates have adopted their own code of ethics, which governs personal securities transactions of Fund directors, trustees, officers and employees.

The Eaton Vance Code of Business Conduct and Ethics for Directors, Officers, and Employees is available online at [www.eatonvance.com](http://www.eatonvance.com).

A copy of the Code may be obtained by writing to: Eaton Vance Management, Attn: Legal Dept. – Code of Ethics, Two International Place, Boston, MA 02110.

### **Additional Conflicts of Interest**

When consistent with the client's investment objectives, EVIC may invest a portion of the assets of a client's discretionary account in shares of an EV Fund or may recommend such an investment to a client having a non-discretionary account. Since EVM and BMR receive management and/or administrative fees for serving as investment adviser to the EV, with respect to that portion of a client's account invested in an EV Fund, the client is not charged an advisory fee by EVIC (*i.e.*, when calculating the advisory fee payable to EVIC, the value of client's account is reduced by the value of the shares of any EV Funds owned by the client). The management and administrative fee rate payable by the EV Fund may be more or less than that otherwise payable by the client in connection with its investment advisory account.

EVIC may combine transaction orders placed on behalf of clients, including accounts in which affiliated persons of EVIC have an investment interest. Available investment opportunities will be allocated among clients in a manner deemed equitable by EVIC. See *Brokerage Practices* below for more information.

Some EVIC employees receive compensation in connection with the establishment of new client accounts or significant additions to existing client accounts. This compensation is typically calculated as a percentage of the advisory fees received by EVIC from the client during a fixed period of time. EVIC may also recommend that a client invest some of its assets in a private fund managed by an affiliate of EVIC. EVIC does not charge any fees relating to such an investment, but the affiliate receives fees from the private fund for providing advisory and administrative services. Some EVIC employees receive compensation from Eaton Vance Corp. (or its affiliates) for making such a recommendation. This compensation is typically calculated as a percentage of the fees received by Eaton Vance Corp. (or its affiliates) from the private fund during a fixed period of time that are attributable to the EVIC client's investment in the private fund. EVIC manages the conflicts of interest inherent to these employee incentive compensation arrangements by ensuring the client is aware of the potential benefits and risks of hiring EVIC as an investment adviser or making an investment in a private fund.

## Item 12 - Brokerage Practices

EVIC uses the trading desks of its affiliate, Eaton Vance Management, to effect client portfolio transactions but may elect in the future to execute trades directly. This section describes the brokerage practices employed by Eaton Vance Management on behalf of EVIC. References to Eaton Vance within this Item refer to both Eaton Vance Management and EVIC.

### Selection of Broker-Dealers

Eaton Vance seeks to achieve best overall execution when selecting broker-dealers for client portfolio transactions. In seeking best overall execution, Eaton Vance will use its best judgment in evaluating the terms of a transaction, and will give consideration to various relevant factors, including without limitation the full range and quality of the services provided by the broker-dealer, the responsiveness of the broker-dealer to Eaton Vance, the size and type of the transaction, the nature and character of the market for the security, the confidentiality, speed and certainty of effective execution required for the transaction, the general execution and operational capabilities of the broker-dealer, the reputation, reliability, experience and financial condition of the broker-dealer, the value of services rendered by the broker-dealer in other transactions, and the amount of the spread or commission, if any. While Eaton Vance generally does not seek competitive bidding on commissions rates on individual trades, Eaton Vance does seek to be aware of general rates broker-dealers charge. Eaton Vance may also consider the receipt of brokerage and research services, provided it does not compromise Eaton Vance's obligation to seek best overall execution. See *Research Services Practices* below for additional information about the brokerage and research services Eaton Vance receives from broker-dealers. While EVIC factors in trade-away fees charged by a client's custodian in making its best execution determination, EVIC may choose to execute a trade outside of a client's custodian. While trading-away is more common in fixed income markets, EVIC may choose to trade-away in equity trades as well.

### Trading Venues and Brokerage Commissions

In general, for all discretionary accounts and for non-discretionary accounts where the client has so authorized, Eaton Vance will place portfolio transaction orders on behalf of such accounts with one or more broker-dealer firms which Eaton Vance selects to execute the transactions. Transactions on stock exchanges and other agency transactions involve the payment by the client of negotiated brokerage commissions. Eaton Vance uses its best efforts to obtain execution at prices that are advantageous to the client and at reasonably competitive spread (as defined below). Such commissions vary among different broker-dealer firms, and a particular broker-dealer may charge different commissions according to such factors as the difficulty and size of the transaction and the volume of business done with such broker-dealer. Transactions in non-U.S. equity securities often involve the payment of brokerage commissions that are higher than those in the United States. There generally is no stated commission in the case of equity securities traded in the over-the-counter markets. In such cases, the price paid or received by the client usually includes an undisclosed dealer markup or markdown (the "spread"). In an underwritten offering of equity securities, the price paid by the client includes a disclosed fixed commission or discount retained by the underwriter or dealer.

Fixed income securities purchased and sold for clients have historically been primarily traded in the over-the-counter market through broker-dealers. Such firms attempt to profit from such transactions by buying at the bid and selling at the higher asked price of the market for such obligations, and the difference between the bid and asked price is the spread. Fixed income securities may also be purchased from underwriters and dealers in fixed-price offerings, the cost of which may include undisclosed fees and concessions received by the underwriters. Fixed-income transactions may also be transacted directly with the issuer of the obligations. In recent years, an increased volume of fixed income trading has moved to alternative trading systems (ATS) and other electronic trading platforms. When Eaton Vance trades on such platforms, our bids or offers are matched against unknown counterparties which may be broker-dealers or other buy-side firms. The ATS or electronic platform is most commonly compensated based on a specified percentage of the trade amount.

For certain corporate bond and U.S. Treasury trades, particularly those that trade on spread or yield, we may employ the auto-execution feature on certain electronic trading platforms with the goal of achieving faster execution. Auto-execution allows our traders to create rules, parameters and conditions (e.g., trade size, tenors, number of liquidity providers to put in competition) which are then used by the platform's software to systematically send, receive, execute and process trades.

Eaton Vance's Tax-Advantaged Bond Strategies Group (TABS) has agreements with certain independent broker-dealers under which TABS has the ability to execute competitive odd-lot sales through such independent broker-dealers, and retains the option, but not the obligation, to purchase that security from that broker for another account on that day at competitive prices (generally subject to a markup at the broker-dealer). As a fiduciary to the selling and buying client, to address potential conflicts of interests with these trades, Eaton Vance has established policies and procedures designed to monitor compliance with best execution obligations for clients on both sides of the transactions.

## **Research Service Practices**

While Eaton Vance has an obligation to seek best overall execution with respect to client portfolio transactions, this does not necessarily require Eaton Vance to pay the lowest available brokerage commission for a particular transaction. Investment advisers commonly receive brokerage and research services from broker-dealers that effect client portfolio transactions. These brokerage and research services may benefit clients directly or indirectly and are paid for with the commissions charged by the broker-dealers for effecting portfolio transactions. The practice of paying for brokerage and research services with commissions generated by client portfolio transaction is known as using soft dollars. Section 28(e) of the Securities Exchange Act of 1934, as amended, provides a safe harbor for the use of soft dollars by investment advisers. Under the safe harbor, Eaton Vance may pay a broker or dealer who executes a portfolio transaction on behalf of an Eaton Vance client a commission that is greater than the amount of commission another broker or dealer would have charged for effecting the same transaction provided that Eaton Vance determines in good faith that such commission was reasonable in relation to the value of the brokerage and research services provided. This determination may be made on the basis of either that particular transaction or the overall responsibility that Eaton Vance and its affiliates have for accounts over

which they exercise investment discretion. Brokerage and research services may include advice as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts; effecting securities transactions and performing functions incidental thereto (such as clearance and settlement); and the “Research Services” discussed below. Eaton Vance may also receive brokerage and research services from underwriters and dealers in fixed-price offerings.

*Research Services.* Research Services include any and all brokerage and research services to the extent permitted by Section 28(e) of the Securities Exchange Act of 1934, as amended. Generally, Research Services may include, but are not limited to, such matters as research, analytical and quotation services, data, information and other services products and materials which assist Eaton Vance in the performance of its investment responsibilities. More specifically, Research Services may include general economic, political, business and market information, industry and company reviews, evaluations of securities and portfolio strategies and transactions, recommendations as to the purchase and sale of securities and other portfolio transactions, technical analysis of various aspects of the securities markets, non mass-marketed financial, industry and trade publications, certain news and information services, and certain research oriented software, data bases and services that provide Eaton Vance with lawful and appropriate assistance in the performance of its investment decision making responsibilities. Any particular Research Service obtained through a broker-dealer may be used by Eaton Vance in combination with client accounts other than those accounts which pay commissions to such broker-dealer. Any such Research Service may be broadly useful and of value to Eaton Vance in rendering investment advisory services to all or a significant portion of its clients, or may be relevant and useful for the management of only one client’s account or of a few clients’ accounts, or may be useful for the management of merely a segment of certain clients’ accounts, regardless of whether any such account or accounts paid commissions to the broker-dealer through which such Research Service was obtained. Eaton Vance evaluates the nature and quality of the various Research Services obtained through broker-dealer firms and may attempt to allocate sufficient portfolio transactions to such firms to ensure the continued receipt of Research Services which Eaton Vance believes are useful or of value to it in rendering investment advisory services to its clients. Eaton Vance may use certain Research Services both in the investment decision-making process and for other business functions such as client service. In these “mixed use” cases, Eaton Vance either allocates the cost of the Research Services between client commissions and its own resources, or pays for the entire cost of the Research Services from its own resources, such that the portion of the Research Service allocated to client commissions is no greater than the degree to which Eaton Vance uses the Research Service in the investment decision-making process.

*Proprietary Research.* Research Services provided by (and produced by) broker-dealers that execute portfolio transactions or from affiliates of executing broker-dealers are referred to as “Proprietary Research”. Eaton Vance may and does consider the receipt of Proprietary Research Services as a factor in selecting broker dealers to execute client portfolio transactions, provided it does not compromise Eaton Vance’s obligation to seek best overall execution.

*Third Party Research.* Investment advisers also commonly receive Research Services from research providers that are not affiliated with an executing broker-dealer, but which have entered into payment arrangements involving an executing broker-dealer (“Third Party Research Services”). Eaton Vance may consider the receipt of Third Party Research Services as a factor in selecting broker dealers to execute client portfolio transactions, provided it does not compromise Eaton Vance’s obligation to seek best overall execution. Under a typical Third Party Research Services arrangement, the research provider agrees to provide research services to an investment adviser in exchange for a payment to the research provider by a broker-dealer that executes portfolio transactions for clients of the investment adviser. The investment adviser and the executing broker-dealer enter into a related agreement specifying the terms under which the executing broker-dealer will pay for Third Party Research Services received by the investment adviser. Third Party Research Services arrangements typically involve execution of portfolio transactions in equity securities, but may arise in other contexts as well. For example, with respect to municipal obligations, an executing broker-dealer enters into an arrangement with an investment adviser to provide “research credits” typically generated as a result of acquisition of new issuances of municipal obligations in fixed price offerings. The amount of the research credit generated as a result of a particular transaction is a percentage of the offering price of the municipal obligations.

*Client Commission Arrangements.* Eaton Vance may consider the receipt of Research Services under so called “client commission arrangements” or “commission sharing arrangements” (both referred to as “CCAs”) as a factor in selecting broker dealers to execute transactions, provided it does not compromise Eaton Vance’s obligation to seek best overall execution. Under a CCA, Eaton Vance may cause client accounts to effect transactions through a broker-dealer and request that the broker-dealer allocate a portion of the commissions paid on those transactions to a pool of commission credits that are paid to other firms that provide Research Services to Eaton Vance. Under a CCA, the broker-dealer that provides the Research Services need not execute the trade.

Participating in CCAs may enable Eaton Vance to consolidate payments for research using accumulated client commission credits from transactions executed through a particular broker-dealer to periodically pay for Research Services obtained from and provided by other firms, including other broker-dealers that supply Research Services. Eaton Vance believes that CCAs offer the potential to optimize the execution of trades and the acquisition of a variety of high quality Research Services that Eaton Vance might not be provided access to absent CCAs.

Eaton Vance will only enter into and utilize CCAs to the extent permitted by Section 28(e) of the Securities Exchange Act of 1934, as amended. As required by interpretive guidance issued by the SEC, any CCAs entered into by Eaton Vance will provide that: (1) the broker-dealer pays the research preparer directly; and (2) the broker-dealer takes steps to assure itself that the client commissions that Eaton Vance directs it to use to pay for Research Services are only for eligible research under Section 28(e).

## **Client Referrals**

In selecting broker-dealers for client portfolio transactions, Eaton Vance does not consider whether it or an affiliate receives client referrals from potential broker-dealers. Nevertheless, Eaton Vance may engage in portfolio brokerage transactions with a broker-dealer firm that sells shares of EV



Funds, provided that such transactions are not directed to that firm as compensation for the promotion or sale of such shares. Client portfolio transactions may also be effected through broker-dealer firms that have introduced prospective clients to Eaton Vance or its affiliates. Such brokerage transactions are subject to Eaton Vance's obligation to seek best execution and may not be directed to broker-dealers as compensation for the introduction of prospective clients.

## **Trade Execution**

Eaton Vance maintains separate trading desks based on asset class. These trading desks operate independently of one another. For example, high yield bonds are generally traded through Eaton Vance's High Yield Bond Department trading desk, while interests in bank loans are generally traded through Eaton Vance's Bank Loan Department trading desk. In addition, Eaton Vance maintains two separate trading desks for equity securities. One generally executes transactions for non-Wrap Program accounts (referred to as the "Equity Trading Desk") and the other generally executes transactions for Wrap Program accounts (referred to as the "Corporate Operations Trading Desk"). The two equity trading desks do not share information. The separate equity trading desks may result in one desk competing against the other desk when implementing buy and sell transactions, possibly causing certain accounts to pay more or receive less for a security than other accounts. When appropriate, an Eaton Vance trading desk may rotate trades among client accounts in accordance with Eaton Vance's policy to treat all accounts fairly and equitably over time. In addition to any trade rotation employed by a trading desk, the portfolio management team responsible for making investment decisions on behalf of equity clients may also, where it seems appropriate, rotate trades based on client type and/or the relevant trading desks involved in executing such trades. Any such trade rotation employed by the portfolio management team will be determined in accordance with Eaton Vance's policy to treat all clients fairly and equitably over time. Accounts in a rotation may experience sequencing delays and market impact costs with respect to certain transactions relative to other accounts in the rotation. The Corporate Operations Trading Desk may also assist portfolio managers with the allocation of trades for certain clients.

Investment decisions to buy or sell securities for any account are the product of many factors, including, but not limited to, the particular client's investment objectives, available cash resources, the relative size of the client's portfolio holdings of the same or similar securities, the size of investment commitments generally held by the client and the opinions of the persons responsible for making investments for such account. Thus, a particular security may be bought or sold for certain clients even though it could have been bought or sold for other clients at the same time. In some cases, a particular security may be bought for certain clients when other clients are selling that security. Eaton Vance may also buy (or sell) a particular security for some clients at the same time one of its affiliates is selling (or buying) that security for other clients. In certain instances, in accordance with any applicable legal requirements, a client may sell a particular security to another client.

## **Trade Aggregation and Allocation**

Eaton Vance seeks to ensure that, consistent with its fiduciary duties, every client is treated in a fair and equitable manner over time. Eaton Vance has adopted firm wide policies and procedures governing trade allocation and aggregation. Additionally as described in *Item 8 – Methods of*

*Analysis, Investment Strategies and Risk of Loss* above, Eaton Vance invests in a wide variety of security types and markets. As such, each investment department trading desk has adopted policies and procedures tailored to securities types they trade and markets they trade in.

Eaton Vance frequently aggregates client orders when two or more clients are purchasing or selling the same security. Eaton Vance believes that aggregated transactions can, in many instances, produce better executions for clients, but, in certain instances, trade aggregation could have a negative effect on the size of the position obtained for or disposed of or the price paid or received by a particular client. Eaton Vance will only aggregate an order if it believes such aggregation is consistent with its duty to obtain best execution. When a trade is aggregated, each client will participate at the average price for all transactions in respect to such aggregated order. Certain markets which are more liquid, such as large-cap domestic equity may allow for trades to be aggregated more frequently. Other markets, such as bank loans, are more illiquid and as such, Eaton Vance may not be able to aggregate trades as frequently. Depending on such factors as the size of the order and the type and availability of a security, orders may be executed throughout the day rather than being aggregated. When these orders are placed they can experience sequencing delays and market impact costs, which Eaton Vance will attempt to minimize. Eaton Vance's trading desk may depart from the above procedures if, in the exercise of its reasonable judgment, it determines that such a departure is advisable and in compliance with applicable policies and procedures.

When allocating investment opportunities, Eaton Vance seeks to treat all clients in a fair and equitable manner over time. While Eaton Vance generally seeks to allocate trades on a pro rata basis, it may not always be feasible to do so. Reasons for this include limited sellers or buyers of a particular security, illiquidity in certain markets, or oversubscription of new issues. In such cases, Eaton Vance may deviate from pro rata allocations. When making such a determination, Eaton Vance considers factors such as: (i) whether the allocation would be so *de minimis* that it would provide no material benefit to the client and / or present difficulty in effecting an advantageous disposition; (ii) a client with specialized investment policies or instructions that coincide with the particulars of a specific offering; (iii) the relative size of a client's portfolio holdings in the same or similar investments; (iv) the percentage of uninvested cash per account; (v) for certain income securities, the size of offering or minimum purchase amounts; (vi) for income accounts, the variation of account duration from target duration; (vii) whether the portfolio manager has specified an alternative allocation on the order ticket; and (viii) portfolio managers who have been instrumental in developing or negotiating a particular investment. As a result of such allocations, there may be instances when a client's account does not participate in a transaction (including an IPO) that is allocated among other clients. When Eaton Vance or a Trading Affiliate (as defined below) execute a trade, client trades may be aggregated with the trades of clients of affiliated entities, provided such aggregation is compliant with this section and all respective fiduciary duties. In such cases, Eaton Vance may receive Research Services on the whole trade which factor in the EVIC client trades. See also *Item 6 – Performance-Based Fees and Side-By-Side Management* above for a description of certain conflicts of interest associated with trade aggregation and allocation. Eaton Vance believes the policies and procedures described within this *Item 12* mitigate such conflicts of interest.

## Directed Brokerage

A client may instruct Eaton Vance to execute orders for its account through a specific broker-dealer firm or firms (referred to as “directed brokerage”), to restrict or prohibit trading through a specific broker-dealer firm or firms, to include or exclude a specific broker-dealer firm or firms in a competitive bidding process, or to institute a similar limitation with respect to orders executed for its account (which restrictions are collectively referred to in this section as “restricted brokerage”). Restricted brokerage may affect (1) Eaton Vance’s ability to negotiate favorable commission rates or volume discounts, (2) the availability of certain spreads, and (3) the timeliness of execution, and as a consequence, may result in a less advantageous price being realized by the account. Eaton Vance normally will not include orders for restricted brokerage accounts in larger simultaneous aggregated transactions but rather it normally will place orders for restricted brokerage accounts after the completion of non-restricted brokerage orders so as to avoid conflicts in the trading marketplace. For directed brokerage accounts, the client will be responsible for negotiating the commission rates with such firms or firms, and that negotiation may result in higher commissions than would have been paid if Eaton Vance had full discretion in the selection of broker-dealer firms. In addition, client directed brokerage on behalf of employee benefit plan clients may be subject to special requirements under the Employee Retirement Income Security Act of 1974 (“ERISA”).

*Wrap/Separate Accounts.* Eaton Vance participates as an investment manager to separate accounts in certain wrap account programs. While Eaton Vance may have discretion to select broker-dealers other than the wrap program sponsor to execute trades for Wrap Program accounts in a particular program, equity trades are frequently executed through the financial institution sponsoring the wrap program to avoid trade away fees. However, fixed income trades are frequently executed away from the financial institution sponsoring the Wrap Program. As described in Trade Aggregation and Allocation above, Eaton Vance may receive Research Services on EVIC trades aggregated with orders for non-EVIC clients. As such, Eaton Vance may be incentivized to trade away to brokers and dealers it receives Research Services from. Eaton Vance and EVIC believe their best execution policies and procedures, and trading reviews mitigate this conflict of interest. A Wrap Program sponsor may instruct Eaton Vance not to execute transactions on behalf of the accounts in that program with certain broker-dealers. When a sponsor so restricts Eaton Vance, it may affect (1) Eaton Vance’s ability to negotiate favorable commission rates or volume discounts, (2) the availability of certain spreads, and (3) the timeliness of execution, and as a consequence, may result in a less advantageous price being realized by the account. Eaton Vance endeavors to treat all accounts fairly and equitably over time in the execution of client orders. Depending on such factors as the size of the order, and the type and availability of a security, orders for accounts may be executed throughout the day. When orders are placed with broker-dealers, such trades may experience sequencing delays and market impact costs, which the firm will attempt to minimize. When the Corporate Operations Trading Desk deems it appropriate, trades for accounts may be rotated in accordance with Eaton Vance’s policy to treat all clients fairly and equitably over time. As discussed above, Eaton Vance maintains two separate trading desks for equity securities, the Equity Trading Desk for its non-Wrap Program client accounts and the Corporate Operations Trading Desk for Wrap Program and certain other client accounts. The two desks operate independently of one another. The Corporate Operations Trading Desk may place orders without regard to the timing of the placement of any aggregated order made on behalf of other Eaton Vance

clients through the Equity Trading Desk. The separate trading desks may result in one desk competing against the other desk when implementing buy and sell transactions, possibly causing certain accounts to pay more or receive less for a security than other accounts.

## **Cross Trades**

In certain circumstances, Eaton Vance may deem it advisable and appropriate to sell securities held in one client account managed by Eaton Vance or its affiliates to another client account managed by Eaton Vance or its affiliates (a “Cross Trade”). These circumstances may include Cross Trades among separately managed accounts to facilitate tax loss harvesting.

Cross Trades present an inherent conflict of interest because Eaton Vance acts on behalf of both the selling account and the buying account in the same transaction. As a result, the use of Cross Trades could result in more favorable treatment of one client over the other. Additionally, there is a risk that the price at which a cross trade is executed may not be as favorable as the price available in the open market. To address these risks, Eaton Vance’s policy is to engage in a Cross Trade only if it believes that the Cross Trade is appropriate based on each client’s investment objectives and guidelines, is in the best interest of each client, and is consistent with its fiduciary duty to each client (including the duty to seek best execution). Eaton Vance has established policies and procedures designed to ensure that the price used in a Cross Trade is fair and appropriate, relying on independent dealer bids or quotes, or information obtained from recognized pricing services, depending on the type of security and other circumstances of the Cross Trade, Eaton Vance has any required client permission before executing the Cross Trade: and such Cross trade is permissible under applicable law or regulation, among other factors. Where a Cross Trade involves an EV Mutual Fund or third party registered investment company, Eaton Vance will follow the relevant fund’s procedures adopted pursuant to Rule 17a-7 under the Investment Company Act. Eaton Vance Cross Trades have historically been done between EV Funds, but Eaton Vance may deem a Cross Trade between an EV Fund and a non-Fund client account, or between non-Fund client accounts to be appropriate in the future. For regulatory, legal or other reasons, Eaton Vance may not execute Cross Trades for certain clients, such as ERISA clients, which could disadvantage those clients as compared to clients for whom Eaton Vance is eligible to execute Cross Trades.

## **Trade Errors**

On occasion, Eaton Vance may make an error in executing securities transactions for a client account. For example, a security may be erroneously purchased for the account instead of sold, or a trade may be entered for an incorrect number of shares. In these situations, Eaton Vance generally seeks to rectify the error by placing the fund or account in a similar position as it would have been if there had been no error. Depending on the circumstances, and subject to applicable legal and contractual requirements, various corrective steps may be taken, including canceling the trade, correcting an allocation, or taking the trade into Eaton Vance’s trade error account and reimbursing the client account.

If an erroneous trade settles in a client account and results in a gain, it will be retained by the client unless the client elects to decline it; any gains declined by a client will be donated to charity. Eaton Vance has established error accounts with certain brokers for the sole purpose of correcting trade errors. Each such account is maintained subject to the terms and conditions set by the broker. Any

securities acquired by an account during the trade correction process are promptly disposed of. Brokerage commissions from client transactions will not be used to correct trade errors or compensate broker-dealers for erroneous trades.

Certain trade errors create a conflict of interest when Eaton Vance is responsible for calculating the gain or loss to a client account. When Eaton Vance will have to reimburse a client for a loss, Eaton Vance is incentivized to calculate the loss in a manner which would minimize such loss. To mitigate this risk, Eaton Vance will notify the client or their adviser of the error and offer to provide the analysis conducted to determine the reported loss. Clients can be reimbursed directly via check, wire transfer, or by deducting the loss from future management fees.

### **Trading Affiliates**

Eaton Vance Management uses the trading desks of its affiliates, EVAIL, and EVMIA, (altogether, the “Trading Affiliates”), to effect some client portfolio transactions. While it is unlikely a trade for an EVIC client would be executed by EVAIL or EVMIA, it may occur from time to time. The trading desks of Eaton Vance and the Trading Affiliates generally follow similar practices with respect to broker-dealer selection, brokerage commissions, trade execution, trade allocation and trade errors. With respect to research services practices, as a firm subject to rules in both the United States and the United Kingdom, EVAIL is required to ensure that any research services received from broker-dealers fall within a safe harbor from restrictions on such services imposed by Section 28(e) of the Securities Exchange Act of 1934, as amended, as well the similar (though not identical) safe harbors contained in the Financial Conduct Authority (“FCA”) rules on inducements and the use of dealing commissions (in particular, those contained in chapter 11.6 of the Conduct of Business Sourcebook (“COBS”) and in the Markets in Financial Instruments Directive (“MiFID II”).

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

The frequency of the review of accounts, the nature of the review and the factors which may trigger reviews can vary widely among particular accounts, depending on factors such as the client's investment objectives and circumstances and the complexity, portfolio structure and size of an account. The investment counselor assigned to each account is responsible for reviewing all accounts for which he or she is the principal account manager. There are currently more than twenty such investment counselors and all are officers of EVIC.

Each investment counselor continually monitors the accounts for which he or she is responsible. In addition, the responsible investment counselor conducts an in-depth account review twice a year at or prior to the time periodic appraisal reports are sent to clients. All client accounts are also reviewed at least twice a year by two other investment counselors to ensure that accounts are within applicable policies and guidelines. Interim reviews of varying degrees may be triggered by numerous factors, such as: significant equity price or interest rate changes; new economic forecasts; investment policy changes of EVIC; asset additions or withdrawals to the account by the client; and/or changes in a client's objectives, instructions, or circumstances.

EVIC has implemented procedures to monitor pre- and post-trade compliance with applicable investment guidelines and restrictions for client accounts. This oversight includes on-going monitoring of accounts.

EVIC generally sends written appraisals of accounts to its clients at least quarterly and such appraisals are available more frequently upon request. For those clients who prefer to rely on monthly or quarterly custodial appraisals, EVIC will agree to send the written EVIC appraisal annually upon request from the client. The reports consist of a full listing of the assets in the account showing current market values, cost of securities, dividends and/or interest rates, estimated annual income and current yield. The reports also include a summary of assets in the account categorized by cash equivalents, bonds, common stocks (showing industry representation) and miscellaneous assets. EVIC clients also have the option to receive confirmation of portfolio securities transactions as they occur.

## Item 14 - Client Referrals and Other Compensation

EVIC may enter into written agreements with certain lawyers, broker-dealer firms and other individuals or financial intermediaries to compensate such individuals or firms for having referred certain investment advisory clients to EVIC. Each individual or firm with whom an agreement exists is compensated in cash based upon a percentage of the investment advisory fee actually received by EVIC from each referred client. Such compensation typically continues as long as such client continues to employ EVIC as the client's investment adviser and, in some cases, as long as the representative of the firm who introduced the client to EVIC remains an employee of the firm. Generally, the clients referred pay an advisory fee that is no higher as a result of this arrangement than EVIC's regular advisory fee as set forth in *Fees and Compensation* above. Notwithstanding the foregoing, however, EVIC may at times enter into a referral agreement whereby the annual advisory fee paid by the client is higher than the customary advisory fee charged by EVIC by reason of the compensation paid to the individual or firm referring such client. In such cases, EVIC notifies the client and obtains a written disclosure statement executed by the client which acknowledges the higher fee payment.

EVIC and its affiliates have entered into various agreements regarding client referrals and may enter into additional agreements in the future. Such arrangements include registered representatives of EVD referring clients to EVIC. See *Item 10 – Other Financial Industry Activities and Affiliations* above for additional details.

### **Schwab Advisor Network Service**

EVIC receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through EVIC's participation in Schwab Advisor Network ("the Service"). Schwab is a broker-dealer independent of and unaffiliated with EVIC. Schwab does not supervise EVIC and has no responsibility for EVIC's management of clients' portfolios or EVIC's other advice or services. EVIC pays Schwab fees to receive client referrals through the Service.

EVIC pays Schwab a fee on all referred clients' accounts that are maintained in custody at Schwab. The fee paid by EVIC is a percentage of the fees the client owes to EVIC or a percentage of the value of the assets in the client's account, subject to a minimum amount. EVIC pays Schwab the fee for so long as the referred client's account remains in custody at Schwab.

EVIC has agreed to pay Schwab a fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from, Schwab. This fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. This fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab.

For accounts of EVIC's referred clients maintained in custody at Schwab, Schwab will not charge the client separately for custody using an asset-based fee schedule or a transaction based fee schedule. For those clients that choose a transaction based fee schedule, Schwab will not charge a separate custody fee, but will receive compensation from each client in the form of commissions or fees on securities trades executed through Schwab or through miscellaneous activity fees, such as account termination fees. Schwab will also receive a fee (generally greater than the applicable

commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. As described in *Item 12 - Brokerage Practices* above, EVIC has an obligation to seek best execution of trades for client accounts. In many cases, EVIC will be able to obtain lower overall trading costs for referred clients by executing trades through Schwab. Thus, trades for accounts held in custody at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.



## Item 15 – Custody

EVIC is deemed to have custody of client assets under Rule 206(4)-2 (the “Custody Rule”) under the Advisers Act because EVIC or its employees/counselors act as trustee for certain clients, or EVIC has the ability to deduct fees from client accounts.

EVIC has a reasonable belief that client’s for which EVIC has custody receive account statements to clients at least quarterly from their respective custodian. If a client does not receive its custodian statements, the client should contact its investment counselor who will work with the client and the client’s custodian to ensure that the client receives this information. Clients should carefully review their custodian statements to ensure that they reflect appropriate activity in their account. Clients should also compare the account statements they receive from EVIC to the account statements they receive from their custodian. Should a client have any questions about how to reconcile these two statements, they should contact their investment counselor who can assist them.

Certain separate account client’s custody agreements with third party custodians, of which EVIC is not a party to, may grant EVIC powers which may be interpreted as granting EVIC custody over the clients assets. EVIC expressly disclaims and rejects such authority in order to avoid being deemed to have custody over such assets.

## **Item 16 - Investment Discretion**

EVIC ordinarily manages client accounts on a discretionary basis. Clients and EVIC may agree in writing to impose certain reasonable limitations or restrictions regarding the management of their accounts. For example, a client may instruct Eaton Vance not to invest in companies engaged in particular industries, such as weapons manufacturing or tobacco products, or companies whose securities are issued outside the U.S. EVIC may not always be able to accommodate certain investment limitations or restrictions sought by a client. Wrap Program participants may not be able to provide such customized requests under the terms of their Wrap Program.

Certain relationships are classified as non-discretionary. Examples of this include accounts for which Eaton Vance must obtain client consent before executing a transaction, situations where a client requests Eaton Vance cease trading for a period of time, or situations where a client instructs Eaton Vance on what transactions to enter into.

## Item 17 - Voting Client Securities

*General Policy.* EVIC has adopted proxy voting policies and procedures (the “Policies”) with respect to the voting of proxies on behalf of all clients, including the Funds, for which EVIC has voting responsibility. EVIC manages its clients’ assets with the overriding goal of seeking to provide the greatest possible return to clients consistent with governing laws and the investment policies of each client. Each client is generally permitted to instruct EVIC on how to vote proxy solicitations received in connection with securities held in the client’s account. Unless EVIC receives instructions from a client on how to vote a particular solicitation, EVIC will vote in accordance with the Policies. When charged with the responsibility to vote proxies on behalf of its clients, EVIC seeks to exercise its clients’ rights as shareholders of voting securities to support sound corporate governance of the companies issuing those securities with the principal aim of maintaining or enhancing the companies’ economic value.

*Voting and Use of Proxy Voting Service.* The Policies are designed to promote accountability of a company’s management to its shareholders and to align the interests of management with those shareholders. When charged with the responsibility to vote proxies on behalf of its clients, EVIC will generally vote such proxies through an independent, unaffiliated third-party voting service (“Proxy Voting Service”) in accordance with customized guidelines (“Guidelines”), and with respect to proxies referred back to EVIC by the Proxy Voting Service pursuant to the Policies, in a manner that is reasonably designed to eliminate any potential conflicts of interest. The Proxy Voting Service currently is Institutional Shareholder Services. The Proxy Voting Service is responsible for coordinating with the clients’ custodians to ensure that all proxy materials received by the custodians relating to the clients’ portfolio securities are processed in a timely fashion. In addition, the Proxy Voting Service is responsible for maintaining copies of all proxy statements received by issuers and to promptly provide such materials to EVIC upon request.

The Proxy Voting Service is required to establish and maintain adequate internal controls and policies in connection with the provision of proxy voting services to EVIC, including methods to reasonably ensure that its analysis and recommendations are not influenced by a conflict of interest. The Guidelines include voting guidelines for matters relating to, among other things, the election of directors, approval of independent auditors, executive compensation, corporate structure, anti-takeover defenses and other proposals affecting shareholder rights. EVIC may abstain from voting from time to time (i) if the economic effect on shareholders' interests or the value of the portfolio holding is indeterminable or insignificant (*e.g.*, proxies in connection with securities no longer held in the portfolio of a client or proxies being considered on behalf of a client that is no longer in existence); (ii) if the cost of voting a proxy outweighs the benefits (*e.g.*, certain international proxies, particularly in cases in which share blocking practices may impose trading restrictions on the relevant portfolio security); (iii) in markets in which shareholders' rights are limited, or (iv) EVIC is unable to access or access timely ballots or other proxy information. The Proxy Voting Service will refer proxies to EVIC for instructions under circumstances where, among others: (1) the application of the Guidelines is unclear; (2) a particular proxy question is not covered by the Guidelines; or (3) the Guidelines require input from EVIC. When a proxy voting issue has been referred to EVIC, the analyst (or portfolio manager if applicable) covering the company subject to the proxy proposal determines the final vote (or decision not to vote) and a proxy administrator (the “Proxy Administrator”) instructs the Proxy Voting Service to vote

accordingly for securities held in client accounts. Where more than one analyst covers a particular company and the recommendations of such analysts voting a proposal conflict, a proxy group (the “Global Proxy Group”) will review such recommendations and any other available information related to the proposal and determine the manner in which it should be voted, which may result in different recommendations for different clients.

*Proxy Voting Administrator and Global Proxy Group.* EVIC has appointed a Proxy Administrator to assist in the coordination of the voting of each client’s proxy in accordance with the Guidelines and the Policies. EVIC and its affiliates have also established a Global Proxy Group. The Global Proxy Group develops EVIC’s positions on all major corporate issues, creates the Guidelines and oversees the proxy voting process.

The Proxy Administrator maintains a record of all proxy questions that have been referred by the Proxy Voting Service, all applicable recommendations, analysis and research received and any resolution of the matter. Before instructing the Proxy Voting Service to vote contrary to the Guidelines or the recommendation of the Proxy Voting Service, the Proxy Administrator will provide the Global Proxy Group with the Proxy Voting Service’s recommendation for the proposal along with any other relevant materials, including the basis for the analyst’s recommendation. The Proxy Administrator will then instruct the Proxy Voting Service to vote the proxy in the manner determined by the Global Proxy Group. A similar process will be followed if the Proxy Voting Service has a conflict of interest with respect to a proxy. With respect to Funds advised by EVIC, the Board of Trustees or other governing body will receive a report from EVIC reflecting any votes cast contrary to the Guidelines or Proxy Voting Service recommendations, as applicable, no less than annually.

*Conflicts of Interest.* The Global Proxy Group is responsible for monitoring and resolving possible material conflicts with respect to proxy voting. Because the Guidelines are predetermined and designed to be in the best interests of shareholders, application of the Guidelines to vote client proxies should, in most cases, adequately address any possible conflict of interest. EVIC will monitor situations that may result in a conflict of interest between any of its clients and EVIC or any of its affiliates by maintaining a list of significant existing and prospective corporate clients. The Proxy Administrator will compare such list with the names of companies of which he or she has been referred a proxy statement (the “Proxy Companies”). If a company on the list is also a Proxy Company, the Proxy Administrator will report that fact to the Global Proxy Group. If the Proxy Administrator intends to instruct the Proxy Voting Service to vote in a manner inconsistent with the Guidelines, the Global Proxy Group will first determine, in consultation with legal counsel if necessary, whether a material conflict exists. If it is determined that a material conflict exists, EVIC will seek instruction on how the proxy should be voted from (1) the client, in the case of an individual, corporate, institutional or benefit plan client; (2) in the case of a mutual fund, its board of directors, or any committee or subcommittee identified by the board; or (3) the adviser, in situations where EVIC acts as sub-adviser to such adviser. If a matter is referred to the Global Proxy Group, the decision made and basis for the decision will be documented by the Proxy Administrator and/or Global Proxy Group.

Clients may obtain a complete copy of the Policies and/or Guidelines and/or information on how EVIC voted on proxies related to securities held in the accounts by contacting EVIC at (800) 225-6265.

## **Item 18 - Financial Information**

EVIC does not require or solicit prepayments of more than \$1,200 from clients six months or more in advance. EVIC currently does not know of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its clients and has not been the subject of any bankruptcy proceeding.

## Privacy Notice

The Eaton Vance organization is committed to ensuring your financial privacy. Each entity listed below has adopted a privacy policy and procedures (“Privacy Program”) Eaton Vance believes is reasonably designed to protect your personal information and to govern when and with whom Eaton Vance may share your personal information.

- At the time of opening an account, Eaton Vance generally requires you to provide us with certain information such as name, address, social security number, tax status, account numbers, and account balances. This information is necessary for us to both open an account for you and to allow us to satisfy legal requirements such as applicable anti-money laundering reviews and know-your-customer requirements.
- On an ongoing basis, in the normal course of servicing your account, Eaton Vance may share your information with unaffiliated third parties that perform various services for Eaton Vance and/or your account. These third parties include transfer agents, custodians, broker/dealers and our professional advisers, including auditors, accountants, and legal counsel. Eaton Vance may additionally share your personal information with our affiliates.
- We believe our Privacy Program is reasonably designed to protect the confidentiality of your personal information and to prevent unauthorized access to that information.
- We reserve the right to change our Privacy Program at any time upon proper notification to you. You may want to review our Privacy Program periodically for changes by accessing the link on our homepage: [www.eatonvance.com](http://www.eatonvance.com).

Our pledge of protecting your personal information applies to the following entities within the Eaton Vance organization: the Eaton Vance Family of Funds, Eaton Vance Management, Eaton Vance Investment Counsel, Eaton Vance Distributors, Inc., Eaton Vance Trust Company, Eaton Vance Management (International) Limited, Eaton Vance Advisers International Limited, Eaton Vance Global Advisors Limited, Eaton Vance Management’s Real Estate Investment Group, Boston Management and Research, Calvert Research and Management, and Calvert Funds.

This Privacy Notice supersedes all previously issued privacy disclosures.

For more information about our Privacy Program or about how your personal information may be used, please call 1-800-262-1122.

Dated: January 1, 2020