



FRANKLIN TEMPLETON

www.franklintempleton.com

INVESTMENT ADVISER REGISTRATION FORM ADV PART 2A: FIRM BROCHURE

*This brochure provides information about the qualifications and business practices of the entities listed on the following page (each, an “**Adviser**” and collectively, the “**Advisers**”), each of which is registered with the United States Securities and Exchange Commission (the “**SEC**”) as an investment adviser. With respect to an Adviser, this document, together with the appendix to this document for such Adviser (the “**Appendix**”), serves as the Form ADV Part 2A for such Adviser. The Advisers, collectively, along with Franklin Resources, Inc. (“**Franklin Resources**”) and its other subsidiaries (including certain other SEC registered investment advisers that separately have their own Form ADV Part 2A), are referred to in this document as “**Franklin Templeton**.” Due to space restrictions, the names as well as the business addresses and contact information for the Advisers are provided on the following page.*

*For additional information about a specific Adviser, please refer to the Appendix for that Adviser, which supplements and qualifies information provided in this document, as applicable. If you have any questions about the contents of this brochure or would like to request the Appendix for any Adviser not already provided, please contact Global Client Service Support (“**GCSS**”) via email at GlobalClientServiceSupportAmericas@franklintempleton.com or, with respect to K2/D&S Management Co., L.L.C. and K2 Advisors, L.L.C. (together, the “**K2 Advisers**”), by contacting the K2 Investor Relations Group at K2InvestorRelations@franklintempleton.com. The information in this brochure has not been approved or verified by the SEC or by any state securities authority or regulator, and being a registered investment adviser does not imply a certain level of skill or training.*

Additional information about each of the Advisers is available on the SEC’s website at: www.adviserinfo.sec.gov.

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Item 2 Material Changes

Material changes made on or after the date of the last annual update of the Advisers' brochures through September 30, 2020 are summarized below. While the presentation of the information in the Advisers' brochures has been reformatted for the K2 Advisers, the summaries below reflect the substantive material changes made on or after the date of the last annual update of the Advisers' brochures for all of the Advisers.

Item 4: Advisory Business – Updated information regarding the brand names that Franklin Resources offers investment services and products under following its acquisition of Legg Mason, Inc. Also added a description of a new electronic advisory program offered by certain Advisers.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss – Updated and added additional investment risks that are applicable to the Advisers' significant investment strategies, including, among others, risks regarding outbreaks, pandemics and other public health issues, derivatives usage, fund of fund investments, risk of loss, and valuation risk.

Although there have been no other material changes, the Advisers have updated and revised certain disclosures relating to their business operations, particularly in the following areas:

Item 5: Fees and Compensation – Provided additional examples of other fees and expenses that Accounts will incur from time to time.

Item 10: Other Financial Industry Activities and Affiliations – Provided information about affiliated broker-dealers acquired in the Legg Mason, Inc. acquisition.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – Added new disclosure around how cross trades may occur in certain accounts that are fund of funds or established under separately managed account programs with a municipal bond strategy.

Please also refer to Item 2 ("Material Changes") of an Adviser's Appendix for other changes specific to that Adviser made on or after the date of the last annual update of that Adviser's brochure.

Clients may request a copy of the current version of our brochure at no cost by contacting GCSS via email at **GlobalClientServiceSupportAmericas@franklintempleton.com** or, with respect to the K2 Advisers, by contacting the K2 Investor Relations Group at **K2InvestorRelations@franklintempleton.com**.

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Item 4 Advisory Business

INTRODUCTION TO FRANKLIN TEMPLETON

The Advisers are wholly-owned subsidiaries (whether directly or indirectly) of Franklin Resources, a holding company with subsidiaries that operates under the Franklin Templeton® and/or subsidiary brand names. Franklin Resources is a global investment management organization, and the various distinct brand names it offers investment services and products under include, but are not limited to, Franklin®, Templeton®, Legg Mason®, Balanced Equity Management®, Benefit Street Partners®, Darby®, Edinburgh Partners™, Fiduciary Trust™, Franklin Bissett®, Franklin Mutual Series®, K2® and LibertyShares®. In addition, pursuant to its acquisition of Legg Mason, Inc. on July 31, 2020, Franklin Resources acquired certain additional brand names including Brandywine Global Investment Management®, Clarion Partners®, ClearBridge Investments®, Martin Currie®, QS Investors®, Royce® Investment Partners and Western Asset Management Company®. Franklin Resources, through current and predecessor subsidiaries, has been engaged in the investment management and related services business for more than 70 years.

Franklin Resources' common stock is traded on the New York Stock Exchange under the ticker symbol "BEN" and is included in the Standard & Poor's 500 Index.

ADVISORY SERVICES

The Advisers collectively provide investment advisory and portfolio management services under investment management agreements with clients in jurisdictions worldwide, which include registered open-end and closed-end funds and unregistered funds (collectively, "**Funds**"), as well as separate accounts ("**Separate Accounts**"), which typically include Separate Accounts for institutional and high net-worth clients. In the United States, the Advisers provide advice to investment companies registered with the SEC pursuant to the Investment Company Act of 1940 (the "**1940 Act**"), including exchange-traded funds ("**ETFs**") ("**U.S. Registered Funds**"), pooled investment vehicles with U.S. resident investors that are exempt from registration under the 1940 Act ("**Private Funds**"), and Separate Accounts. In addition, certain Advisers' assets under management include assets in funds or accounts that are sold outside of the United States. Certain Advisers manage, advise or sub-advise certain investment products sponsored by other companies ("**Sub-Advised Accounts**"), which may be sold to investors under the brand names of those other companies or on a co-branded basis. Please see Item 7 ("Types of Clients") for greater detail. For information about the types of clients of a particular Adviser, please see that Adviser's Appendix.

The Advisers provide investment management services under agreements with each of their Fund, Sub-Advised Account, Separate Account and other types of clients discussed herein (collectively, "**Accounts**"), as applicable. Investment management services include services to managed accounts with full investment discretion, and to advisory accounts with no investment discretion. Typically, Accounts are managed on a fully discretionary basis. Certain Accounts managed by the Advisers invest in funds and accounts managed by affiliated or unaffiliated investment advisers.

With respect to Accounts for which an Adviser has been appointed to provide discretionary investment management services, the Adviser will determine which securities the Accounts will purchase, hold or sell. In the context of a Fund, the Advisers will do this under the supervision and oversight of a board of directors, general partner, trustee or an equivalent body, person or entity, as applicable. In addition, the Advisers typically take various steps to implement such decisions, including arranging for the selection of broker-dealers and the execution and settlement of trades in accordance with applicable criteria set forth in the investment management agreement for each Account, internal policies, commercial practice, and applicable law. With respect to any Account for which an Adviser has been appointed to provide non-discretionary investment management services, the Adviser will make recommendations as to which securities the Accounts should purchase, hold or sell. In such cases, the Adviser may or may not perform trading activities for an Account depending on the authority provided by the client. When providing investment management services, each Adviser will perform or obtain research as it deems necessary or as agreed with the client.

Advisers with Separate Account clients will provide investment advice to such clients in accordance with the investment objectives, guidelines and restrictions which form part of the investment management agreement or other similar agreement negotiated with the client or as otherwise

developed in consultation with the client. Such Advisers consider each prospective Separate Account client on an individual basis. Advisers will provide investment advice to Fund clients in accordance with the investment objectives, guidelines and restrictions as described in the prospectus, offering memorandum or other offering documents as well as applicable law. The investment objectives, guidelines and restrictions for Funds will not be tailored to the needs of any particular investor in such Funds. Please see Item 7 (“Types of Clients”) for more information. Please see Item 16 (“Investment Discretion”) for details of the circumstances in which clients can place limitations on the Advisers’ discretionary authority.

Potential or actual conflicts of interest will, from time to time, arise in allocating investment opportunities among the Advisers’ Accounts. Conflicts of interest in relation to such allocation determinations are further discussed in Item 6 (“Performance-Based Fees and Side-By-Side Management”), Item 11 (“Code of Ethics, Participation or Interest in Client Transactions and Personal Trading”) and Item 12 (“Brokerage Practices”).

SMA Programs

Certain Advisers act as adviser or sub-adviser with respect to certain clients and program sponsors in connection with third-party broker-dealer separately managed accounts (“**SMAs**”), unified managed accounts (“**UMAs**”) or other wrap fee programs (collectively, “**SMA Programs**”), which is discussed more fully in the Appendix of the Advisers providing such services.

Model Delivery Programs

One or more Advisers provide model investment portfolios to unaffiliated investment advisers and other financial institutions for use in connection with their advisory programs to their clients, which is discussed more fully in the Appendix of the Advisers providing these services.

Electronic Advisory Programs

One or more Advisers provide advisory services through electronic or software advisory programs, each of which uses a proprietary investment algorithm to develop a portfolio for the client, or the client of an electronic advisory program sponsor, based on information provided by or on behalf of such client. One of these programs provides discretionary advisory services through a mobile application and develops its portfolio based on information provided by the client relating to their risk tolerance. The other program is offered on a non-discretionary basis to certain affiliated and unaffiliated investment advisers and other financial institutions for use in connection with their sponsored advisory service programs that they provide to their clients (who are not clients of the Adviser). This program selects and recommends to the sponsor adviser or other financial institution a portfolio out of several prospective portfolios after considering the sponsor client’s risk tolerance, investment time horizon, initial investment amount and goal target amount, desired priority for the goal, a precalculated level of acceptable loss of the initial investment at goal tenure date (which is aligned to the desired priority of the goal), and expected future investment contributions and withdrawals. More information regarding these electronic advisory programs is discussed in the Appendix of the Advisers providing such services.

SERVICES OF AFFILIATES

Franklin Templeton operates its investment management business through the Advisers, as well as through multiple affiliates of the Advisers, some of which are investment advisers registered with the SEC, some of which are registered with non-U.S. regulatory authorities, and some of which are registered with multiple regulatory authorities. An Adviser uses the services of appropriate personnel of one or more of its affiliates for investment advice, portfolio execution and trading, and/or client servicing in their local or regional markets or in their areas of special expertise, except to the extent restricted by the client under its investment management agreement, or if inconsistent with applicable law. Arrangements among affiliates take a variety of forms, including delegation arrangements, formal sub-advisory arrangements, and servicing agreements. In these circumstances, the client with whom an Adviser has executed the investment management agreement will typically require that the Adviser remain fully responsible for the Account from a legal and contractual perspective. No additional fees are charged for the affiliates’ services except as disclosed in the investment management agreement. Please see Item 10 (“Other Financial Industry Activities and Affiliations”) for more details.

ASSETS UNDER MANAGEMENT

The Advisers provide management services or continuous and regular supervisory services for the Accounts that they manage. As part of these overall services, the Advisers will typically provide one or more of the following: (i) management services as an adviser to an Account, (ii) management services as a sub-adviser to an affiliated or unaffiliated adviser managing or supervising an Account, (iii) continuous and regular supervisory services for an Account where management services have been delegated by an Adviser to an affiliated adviser, (iv) management services as a co-manager to an Account for which an affiliated adviser also provides management services or (v) non-discretionary management services, which for certain Advisers include a UMA or similar program (the Appendices for such Advisers provide more detail about the applicable Adviser's involvement in UMA or similar programs).

Please see the Appendix for each Adviser for details of the Adviser's assets under management described in this item.

Item 5 Fees and Compensation

ADVISORY FEES

Investment management fees are generally calculated under contractual arrangements with the Advisers' clients as a percentage of the market value of assets under management. Annual rates vary by investment objective and type of services provided. Fee arrangements for Separate Accounts vary by client, and are based on a number of different factors, including investment mandate, services performed, and account/relationship size. To the extent permitted under the Investment Advisers Act of 1940 (the "**Advisers Act**") and other applicable law, the Advisers can negotiate and charge performance fees or special allocations in addition to asset-based fees in connection with Accounts. In addition, fees and allocations can be fixed, fixed plus performance, or performance only. Please refer to Item 6 ("Performance-Based Fees and Side-by-Side Management") for additional discussion of performance-based fees and allocations.

The Advisers are not generally required to provide notice to, or obtain the consent of, one client when waiving, reducing or varying fees or modifying other contractual terms with any other client. However, some Separate Account and Sub-Advised Account clients will, from time to time, seek to negotiate most favored nation ("**MFN**") clauses in their investment management agreements with an Adviser. These clauses typically require the Adviser to notify a client with an MFN clause if that Adviser subsequently enters into an agreement with a comparable client that provides a more favorable fee rate or certain other contractual terms than those in place with the client who has the MFN clause at that time. Once notified, the client can elect to either adopt or reject the more favorable terms or, usually when the MFN clause relates only to fees, require that any more favorable fee rate terms be extended automatically to the client. The applicability of an MFN clause will typically depend on the degree of similarity between clients. An Adviser will consider a number of factors when determining similarity between Accounts, including the type of client, the scope of investment discretion, reporting and other servicing requirements, the amount of assets under management, the fee structure and the particular investment strategy selected by each client. An Adviser does not under normal circumstances apply an MFN clause negotiated with the Adviser's client to investment management agreements between that Adviser's affiliates and their clients. The Advisers have sole discretion over whether or not to grant any MFN clause in all circumstances. Individual investors in certain Funds will, from time to time, seek to negotiate similar MFN provisions as a condition of their investment.

At the sole discretion of the Advisers, certain directors, officers, employees or strategic business associates of the Advisers, the Advisers' affiliates or their respective clients will have their investment management fees, performance-based fees and/or special allocations waived or reduced in connection with their investment into Accounts.

FEE SCHEDULES

The Advisers' standard fees for Separate Account clients are normally calculated as a percentage of the value of assets under management, and are typically calculated monthly or quarterly, or as otherwise agreed with each client. The Appendix for each Adviser lists the Adviser's standard fee schedule for its Separate Account clients, if any. In some cases, fees will be negotiated.

U.S. REGISTERED FUNDS

With respect to an Adviser's management of U.S. Registered Funds, investors should consult the applicable U.S. Registered Fund's offering documents and/or shareholder reports for specific fee information on those products. The compensation paid by a U.S. Registered Fund is described in its prospectus, statement of additional information, and/or shareholder reports. Under their investment management agreements, the funds typically pay their advisers a monthly fee in arrears (*i.e.*, after the services are rendered) based upon a percentage of the fund's average daily net assets. Annual fee rates under the various agreements are often reduced as net assets exceed various threshold levels. Annual rates also vary by investment objective and type of services provided. Investment management agreements generally permit Advisers to provide investment management services to more than one Fund and to other clients as long as the Advisers' ability to render services to each of the Funds is not impaired, and so long as purchases and sales of portfolio securities for various advised Funds are made on an equitable basis.

PRIVATE FUNDS

Each Private Fund's private placement memorandum ("**PPM**"), subscription agreement and/or other offering or governing document describes the applicable fees and expenses. Fees charged to Private Fund investors ("**Private Fund Investors**") will, from time to time, differ from fees charged in respect of other Accounts even where a similar investment mandate is followed. The fees disclosed in the offering and/or governing documents of a Private Fund will, from time to time, be waived or reduced for one or more particular investors in that Private Fund.

CO-INVESTMENT VEHICLE EXPENSES

In certain cases, a co-investment vehicle, or other similar vehicle established to facilitate the investment by investors alongside another Private Fund, will be formed in connection with the consummation of a portfolio investment. In the event a co-investment vehicle is created, the investors in that co-investment vehicle will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the co-investment vehicle. The co-investment vehicle will also generally bear its pro rata portion of expenses incurred in making, holding and divesting an investment.

If a proposed investment is not consummated, a co-investment vehicle generally will not have been formed, and the full amount of any expenses relating to the proposed but not consummated investment ("**Dead Deal Costs**") would therefore be borne by one or more of the other applicable Private Funds selected by the Adviser as proposed investors for the proposed investment. Furthermore, even if a co-investment vehicle has been formed to make a proposed investment that is ultimately not consummated (or co-investors have otherwise committed to invest in the unconsummated proposed investment), some or all of the Dead Deal Costs will, under certain circumstances, be borne solely by one or more of the other applicable Private Funds selected by the Adviser as proposed investors in the proposed investment and not by the co-investment vehicle. Dead Deal Costs include, among other things, legal, accounting, advisory, consulting and other third-party expenses; any travel and travel-related and accommodation expenses; all fees, costs and expenses of lenders, investment banks and other financing sources in connection with arranging financing for a proposed investment; any break-up fees, reverse termination fees, topping, termination or other similar fees; extraordinary expenses such as litigation costs and judgments and other expenses; and any deposits or down payments of cash or other property that are forfeited in connection with a proposed investment that is not consummated. Similarly, co-investment vehicles are not typically allocated any share of any break-up fees received in connection with an unconsummated investment.

ALLOCATION OF FUND EXPENSES

From time to time an Adviser will be required to decide whether certain fees, costs and expenses should be borne by a Fund, on the one hand, or the Adviser on the other hand, and/or whether certain fees, costs and expenses should be allocated between or among Funds and/or other parties. Typically, certain expenses will be the obligation of one particular Fund and will be borne by that Fund; however, in some instances, expenses will be allocated among multiple Funds and entities. The Advisers will allocate fees and expenses incurred in the course of evaluating and making investments in accordance with each Fund's governing documents. To the extent not

addressed therein and to the extent it has the authority to do so, an Adviser will make these allocation determinations in a fair and reasonable manner using its good faith judgment, notwithstanding its interest (if any) in the allocation. In exercising its discretion to allocate investment opportunities and fees and expenses, an Adviser is faced with a variety of potential conflicts of interest. For additional information regarding these potential conflicts, please see Item 11 ("Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – Potential Conflicts Relating to Advisory and Other Activities").

TIMING AND PAYMENT OF ADVISORY FEES

The timing of fee payments will be negotiated with each client or, with respect to the Advisers' Funds, as set forth in the relevant Fund's offering documents or PPM. With respect to Accounts for which an Adviser serves as an adviser or sub-adviser through an SMA Program, the timing of fee payments will be negotiated with each client or the SMA Program sponsor. Asset-based fees are generally paid monthly or quarterly and are calculated on (i) the value of the Account's net assets under management, (ii) in the case of certain closed-end funds and certain Private Funds, managed assets, committed capital or invested capital, or (iii) in the case of UMAs managed by the program sponsor, the value of the assets in accounts utilizing the Adviser's model investment portfolio(s).

Except as separately negotiated or as otherwise disclosed, management fees are calculated in most cases as a percentage of assets under management and are payable monthly or quarterly in arrears based on the month- or quarter-end market value or on the average value for the fee period. Where an Adviser has agreed with a Separate Account client to calculate fees based on the value of assets at the end of a particular fee period, the Adviser will typically, unless otherwise instructed, pro-rate its fees to take into account capital contributions or withdrawals made by the client (with the exception of contributions or withdrawals below a threshold amount determined by the Adviser) during the relevant month or quarter. Although Separate Account clients typically elect to pay fees by authorizing their custodian to pay their Adviser out of their account assets pursuant to a pre-agreed fee schedule, some clients request their Adviser to bill them directly for fees incurred. Separate Accounts generally are subject to a minimum fee, determined by applying the client's fee schedule to the applicable minimum portfolio size. If an Adviser manages multiple Accounts for a client (or group of related clients), the assets of these Accounts will, under certain circumstances, be aggregated for purposes of taking advantage of available breakpoint fee reductions.

In some situations, including certain closed-end Private Funds, clients agree to pay fees in advance. In the event of a termination of a relationship, the relevant Adviser will issue the client a refund of unearned fees paid in advance, if any, typically determined based on the number of days after the date of termination within the relevant payment period. To the extent fees have been earned but not yet billed, such fees will be pro-rated and owed by the client, which could include after the date of termination.

With respect to certain Private Funds and Separate Accounts, performance fees or other performance-based compensation will be generally based on exceeding specified return benchmarks or other performance hurdles and generally are payable: (i) on a quarterly or annual basis, (ii) at the time of an investor's withdrawal or redemption with respect to the amount withdrawn or redeemed, and/or (iii) as investments are realized and/or capital is distributed. Certain Private Funds and Separate Accounts charge performance fees based on the Account's net profits without regard to any benchmark or performance hurdle. In some cases, arrangements will be subject to a cumulative high-water mark or other provisions intended to ensure that prior losses are recouped before giving effect to any performance fees. The percentage of any performance fee or other performance-based compensation varies among Private Funds and Separate Accounts, and, from time to time, among classes of shares within a Private Fund (and in certain cases, classes of a Private Fund will not pay a performance fee or other performance-based compensation while others classes will). The timing and amount of performance fees are described in the relevant investment management agreements, PPMs, and/or other offering documents. Please see Item 6 ("Performance-Based Fees and Side-By-Side Management") for additional information.

For the most part, investment management agreements between an Adviser and U.S. Registered Funds must be renewed each year (after an initial two-year term), and must be specifically

approved at least annually by a vote of each fund's board of directors or trustees as a whole and separately by the directors/trustees that are not interested persons of such fund under the 1940 Act, or by a vote of the holders of a majority of such fund's outstanding voting securities. The Advisers' investment management agreements with clients other than U.S. Registered Funds generally do not have termination dates. Rather, those investment management agreements often include automatic renewal provisions or a provision stating that the Adviser or client may terminate with advance notice.

OTHER FEES AND EXPENSES

In addition to the fees described above, clients of the Advisers typically bear other costs associated with their Accounts or portfolio investments, including, but not limited to: (i) custodial charges, brokerage fees/costs, commissions, other transaction costs and related costs, certain consulting fees, auditing fees, and transfer agency fees, (ii) interest expenses, (iii) taxes, duties and other governmental charges (including regulatory, licensing and filing expenses and fees, costs and expenses for preparation therefor), (iv) transfer and registration fees or similar expenses, (v) costs associated with foreign exchange transactions, (vi) other portfolio expenses (including, without limitation, research, risk modeling and software expenses), (vii) costs, expenses and fees (including investment advisory and other fees charged by the investment advisers of funds in which the client invests) associated with products or services that may be related to such investments and (viii) extraordinary expenses or costs that a client incurs from time to time. With respect to services used in connection with making, holding and divesting investments (which, depending on the circumstances, include, but are not limited to, custodial, securities lending, brokerage, futures, banking, consulting or third-party advisory services), each client will be required to establish business relationships with relevant service providers or other counterparties based on the client's own credit standing. The Advisers will not have any obligation to allow their credit to be used in connection with the establishment of such relationships, nor is it expected that such service providers or counterparties will consider or rely on the Advisers' credit in evaluating the client's creditworthiness. When the Advisers believe it is beneficial for an Account, an affiliate of the Advisers will be engaged to oversee the activities of an unaffiliated service provider, such as in provision of administrative services. In these circumstances, the Advisers' affiliate generally collects the fees for such services from the client, retains a portion as compensation for providing oversight activities, and remits the remainder of the fee to the unaffiliated service provider. Clients will also generally incur brokerage costs. See Item 12 ("Brokerage Practices") for discussion on brokerage, including fees/costs associated therewith. In addition to the expenses listed above, Funds generally bear their own operating and other expenses, including, but not limited to: (i) sales expenses, (ii) legal, regulatory, reporting and compliance expenses, (iii) internal and external accounting, audit, valuation and tax preparation expenses, (iv) insurance, (v) directors' fees and other costs associated with professionals retained by the Adviser or an affiliate to perform services on behalf of the Fund, (vi) fees, interest and other costs related to the use of derivative instruments or other similar transactions, (vii) expenses related to credit facilities, (viii) organizational and offering expenses, (ix) expenses related to the Adviser's research, due diligence, and monitoring of Fund investments and (x) all other expenses that the Adviser or its affiliates have not expressly agreed to pay. Further details of these and certain other expenses (some of which are unique to a particular type of Fund given its strategy) are described in the relevant Fund's PPM and/or other offering documents.

Advisers that manage Private Funds will use a master/feeder structure for certain Private Funds, which allows such Advisers to manage a single portfolio of investments at the master fund level and have one or more feeder funds that invest substantially all of their respective assets into the master fund. Individual and institutional investors typically invest in the feeder funds. When applicable, a management fee and performance fee or carried interest is charged either at the master fund level or the feeder fund level depending on the specific circumstances of the master/feeder fund. Administrative and custodian fees (when all portfolio investments are held in the master fund) are often waived at the feeder fund level and charged only at the master fund level. However, the feeder funds will indirectly bear their pro rata share of all fees and expenses of the master fund in which it invests. Such fees and expenses include, but are not limited to, the master fund's administrative and custodian fees; expenses incurred in connection with the master fund's operations and trading activities, including brokerage and clearing expenses, margin interest expenses, custodial expenses and routine legal, accounting, auditing, and tax preparation fees and

expenses; and extraordinary expenses. In addition, fees and expenses specific to a feeder fund are usually charged only to that feeder fund.

Under certain circumstances, an Adviser will, on behalf of certain clients, invest in pooled investment vehicles, including U.S. Registered Funds. Subject to applicable law and regulation and the terms of their agreements, clients will generally bear the costs and expenses charged by these investment vehicles to their investors, such as management and administrative fees, in addition to the Adviser's management fees (subject to any adjustment as described below). In some cases, an Adviser may determine it is appropriate to invest a portion of a client's assets into other funds for which the Adviser or an affiliate of the Adviser serves as investment adviser or sub-adviser ("**Affiliated Funds**"). This might be appropriate where, for example, the Affiliated Fund provides a more efficient and cost-effective way to diversify an account. Such an arrangement creates a conflict of interest for the Adviser to the extent that the Adviser has an incentive to recommend investments in one of the Affiliated Funds rather than in unaffiliated funds or other securities. The Adviser or its affiliates will, under certain circumstances, receive investment advisory and other fees from the Affiliated Funds but not from unaffiliated funds or other securities (although any investments in such securities would generally be subject to the advisory fees applicable to the securities). The Advisers seek to mitigate the potential conflict by excluding any assets invested in Affiliated Funds from the management fee charged by an Adviser to the Account, unless otherwise agreed with a client (for example, where a client requests additional allocation services at the Account level) or disclosed to a client and subject to applicable law. Those assets that are invested in Affiliated Funds are instead subject to the Affiliated Fund's fees and charges applicable to all investors in such fund, as disclosed in the Affiliated Fund's current prospectus or other relevant offering documents. As a result, the Advisers or their affiliates will indirectly receive advisory and other fees paid by those clients as investors of an Affiliated Fund. While the management fees charged to the Account with respect to such assets are excluded, the client would generally still bear any operating expenses of the Account. This and other conflicts as well as similar arrangements with respect to investments in Affiliated Funds and conflicts associated therewith are further discussed in Item 11 ("Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – Conflicts Related to Investment in Affiliated Funds and Affiliated Accounts").

For SMA Program clients, see the applicable Adviser's Appendix for more information on fees and expenses applicable to SMA Program clients.

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

The Advisers manage different types of Accounts with a variety of fee arrangements and charge performance-based fees or allocations with respect to certain clients in addition to management fees. These are described in more detail under Item 5 ("Fees and Compensation") above. U.S. Registered Funds, for example, generally pay management fees based on a fixed percentage of assets under management, whereas Separate Accounts and Private Funds typically have more varied fee structures, including potentially a combination of asset- and performance-based compensation.

Side-by-side management by an Adviser of Funds, Separate Accounts and Sub-Advised Accounts creates potential conflicts of interest, including those associated with any differences in fee structures, as well as other economic interests the Adviser or its supervised persons will, in certain circumstances, have in an Account managed by the Adviser.

When an Adviser receives performance-based fees or allocations, the reward for strong investment returns can incentivize the Adviser to make investments that are riskier or more speculative than it would otherwise make. The prospect of achieving higher compensation from a Private Fund or Separate Account that pays performance-based fees or allocations than from an Account that does not pay such fees (e.g., U.S. Registered Funds) provides an Adviser with an incentive to favor the Private Fund or Separate Account when, for example, placing securities transactions that the Adviser believes could more likely result in favorable performance. Similarly, a significant proprietary investment held by an Adviser or an affiliate in an Account creates an incentive for the Adviser to favor such Account relative to other Accounts. In addition, the application of tax laws affecting performance-based fees or allocations can create incentives and affect the behavior of an Adviser and its personnel with respect to holding or disposing of Account investments. Please

see Item 11 (“Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – Potential Conflicts Relating to Advisory and Other Activities – Allocation of Investment Opportunities”) for more information regarding conflicts of interest related to allocation of investment opportunities.

The Advisers seek to conduct their business by treating all clients equally and by appropriately managing conflicts of interest that arise when conducting transactions involving multiple clients. The Advisers do this by disclosing potential conflicts to their clients and by implementing policies and procedures reasonably designed to address those conflicts. The Advisers have implemented a number of policies and procedures designed to address side-by-side management and the potential conflicts of interest that arise when a portfolio manager or different portfolio managers within a single investment adviser or investment group manage multiple funds and investment accounts for advisory clients. Advisers with U.S. Registered Funds as clients are subject to applicable law and/or policies and procedures with respect to such clients that limit or prescribe practices related to side-by-side management. For example, the U.S. Registered Funds are subject to restrictions relating to engaging in transactions with their affiliates, including restrictions relating to engaging in transactions jointly with their affiliates. These restrictions will, under certain circumstances, prohibit a U.S. Registered Fund from engaging in certain transactions alongside its affiliates. Additional examples of situations that create the potential for conflicts of interest are discussed below.

A potential conflict of interest can arise if an Adviser sells short a security in one Account while simultaneously advising another Account to hold the same security long. The Advisers may have a legitimate reason for engaging in such inconsistent transactions. For example, the investment objectives of the two Accounts may differ. Nonetheless, the Advisers could be viewed as harming the performance of the Account with the long position for the benefit of the Account with the short position if the short sale caused the market value of the security to drop. To alleviate this potential conflict of interest, the Advisers have implemented policies and procedures to deny a short sale request in certain circumstances. Moreover, Advisers with U.S. Registered Funds as clients are subject to applicable law with respect to such clients that limit or prescribe practices related to short sales. Please see Item 11 (“Code of Ethics, Participation or Interest in Client Transactions and Personal Trading”) for additional information regarding conflicts arising from clients investing alongside other clients.

Cross trades are another area that can present potential conflicts of interest in that they may be viewed as favoring one client over another. For example, an Adviser making a cross trade that is expected to increase in value from an Account (e.g., U.S. Registered Funds) with an asset-based fee to an Account with a performance fee could be perceived as doing so merely to increase the performance-based compensation it receives from the Account with a performance fee. The reverse is true with respect to securities expected to decrease in value. The Advisers have implemented inter-account transaction procedures to address these potential conflicts of interest by, among other things, requiring pre-clearance of all cross trades from the Compliance Department. Advisers with U.S. Registered Funds as clients are also subject to applicable law with respect to such clients that limit or prescribes practices related to cross trades. Please see Item 11 (“Code of Ethics, Participation or Interest in Client Transactions and Personal Trading”) for additional information regarding conflicts of interest related to cross trades.

The Advisers will at times have different valuation processes for the Accounts they or their affiliates advise. Consequently, a U.S. Registered Fund and an Account that hold the same security may value that security differently. Different valuations of the same security could lead to questions about whether an Adviser acted appropriately. For example, an Adviser could be perceived as placing a higher valuation on a security held in an Account merely to increase its performance-based compensation from that Account. To address this conflict, an Adviser must document an explanation for any differences in the valuation of securities held by, for example, both a U.S. Registered Fund and another Account managed by the Adviser and/or its affiliates. The explanation provided must be reviewed and approved by the valuation committee formed to provide oversight and administration of the fair valuation policies and procedures adopted by the Advisers (the “**Valuation Committee**”). Additionally, Advisers with U.S. Registered Funds as clients are subject to applicable law and/or policies and procedures with respect to such clients that limit or prescribe practices related to valuation. Please see Item 11 (“Code of Ethics, Participation or Interest in Client

Transactions and Personal Trading”) for further discussion on conflicts of interest related to valuation of investments.

Aggregation and allocation of transactions and investment opportunities are other areas where potential conflicts of interest will arise. The Advisers, from time to time, aggregate orders of their clients to effect a larger transaction with the aim of reducing transaction costs. The Advisers must then allocate the securities among the participating Accounts. Although aggregation of transactions is permissible, potential conflicts of interest exist in the aggregation and allocation of client transactions. For example, an Adviser could be viewed as allocating securities that it anticipates will increase in value to certain favored clients, especially those that pay a performance-based fee to that Adviser. Similarly, if a portfolio manager identifies a limited investment opportunity that is suitable for several Funds or Accounts, a single fund or Account may not be able to take full advantage of that opportunity due to an allocation of that opportunity across all eligible Funds and other Accounts. In other limited investment opportunities, including some privately offered investments, where the investment opportunity is suitable for multiple and different types of clients, allocation will, from time to time, be based on alternative methodologies designed to comply with applicable law and ensure fair and consistent treatment of such clients. The Advisers have implemented trade aggregation and allocation procedures designed to address these potential conflicts of interest. These procedures require that an average price be used for multiple executions of a particular security through the same broker on the same terms on the same day and describe the allocation methodologies to be applied as well as permissible exceptions from standard allocation methods that must be pre-approved by a designated trading desk compliance officer. Please see Item 11 (“Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – Potential Conflicts Relating to Advisory and Other Activities – Allocation of Investment Opportunities”) for further discussions on conflicts of interest related to allocation of investment opportunities and Item 12 (“Brokerage Practices – Aggregation and Allocation of Trades”) for further discussions on aggregation and allocation of trades.

Item 7 Types of Clients

The Advisers currently provide investment advisory and portfolio management services under investment management agreements to clients in jurisdictions worldwide, which include registered open-end and closed-end funds and unregistered funds, as well as Separate Accounts. In addition, certain Advisers’ assets under management include assets in funds that are sold outside of the United States, including those that are similar to U.S. Registered Funds (“**Non-U.S. Registered Funds**”) and those that are similar to U.S. Private Funds. Certain Advisers also provide sub-advisory services to Sub-Advised Accounts sponsored by other companies, which may be sold to the public under the brand names of those other companies or on a co-branded basis, and advisory or sub-advisory services to clients, other investment advisers and program sponsors in connection with SMA Programs as described above. Additionally, at least one Adviser provides model investment portfolios to certain unaffiliated investment advisers and other financial institutions for use in connection with advisory service programs they provide to their clients, as well as advisory services through electronic programs using proprietary investment algorithms. For information about the types of clients of a particular Adviser, please see that Adviser’s Appendix.

An Adviser, if applicable, will consider each prospective Separate Account or Sub-Advised Account client on an individual basis. An Adviser generally will accept management of a new Separate Account only if a minimum amount of assets is invested unless special circumstances are present. See an Adviser’s Appendix for more details. An Adviser generally will accept management of a new Sub-Advised Account only if a minimum of \$250 million in assets is invested by the end of the Sub-Advised Account’s third year under management with the Adviser, unless special circumstances are present. Special circumstances for Separate Account and Sub-Advised Account clients include the existence of a related account already managed by the Advisers or an affiliate. Minimum investment requirements for investing in U.S. Registered Funds, Private Funds and other pooled investment vehicles managed by the Advisers are generally set forth in the prospectus, PPM or other offering documents of such client. In some cases, Account minimums are negotiated or waived at the applicable Adviser’s discretion.

U.S. REGISTERED FUNDS

Franklin Templeton's proprietary retail open-end and closed-end investment companies are registered under the 1940 Act and their securities are registered under the Securities Act of 1933 ("**Securities Act**") and are offered under one of the Franklin Templeton brand names. These funds consist of various open-end investment companies serving the institutional and retail market, including variable insurance funds and smart beta, passive and actively managed ETFs. Additionally, certain Advisers provide investment management and related services to a number of closed-end investment companies and/or a number of money market funds whose shares are traded on various major U.S. stock exchanges. Funds managed by separate Advisers will, from time to time, have a common board of directors/board of trustees. Some Advisers also provide sub-advisory services to products regulated under the 1940 Act that are sponsored by third parties.

INSTITUTIONAL SEPARATE ACCOUNTS

Advisers with institutional Separate Account clients generally provide investment management services to these clients in accordance with the investment objectives, strategies, guidelines and restrictions that are agreed to between the client and the Adviser in the investment management agreement or other similar agreement, which may be amended from time to time when mutually agreed to in writing.

Each client's guidelines are tailored to reflect their particular investment needs. The Advisers provide a broad array of investment management services to their institutional clients, which include, from time to time, corporations and other business entities, charitable foundations, endowment funds, insurance companies, state or municipal entities, sovereign wealth funds and foreign government and private institutions, and government and corporate defined contribution and pension plans.

PRIVATE FUNDS

As a general matter, each Private Fund is managed in accordance with its investment objective, strategy, guidelines and restrictions, as described within the Private Fund's PPM or other offering documents. A Private Fund is not tailored to the individualized needs of any particular Private Fund Investor, except in limited cases where the Private Fund is established for the benefit of a single Private Fund Investor. In addition, an investment in a Private Fund does not, in and of itself, create an advisory relationship between the Private Fund Investor and an Adviser. Therefore, Private Fund Investors must consider whether a Private Fund meets their investment objectives and risk tolerance prior to making an investment in that Private Fund. Information about each Private Fund can be found in its PPM or other offering documents, which are available to current and prospective Private Fund Investors only through a broker-dealer affiliated with the Advisers or another authorized party. In addition, certain non-U.S. affiliates of the Advisers act as placement agents with respect to the distribution of certain Private Funds to Private Fund Investors outside the United States. While this brochure may be provided to, and include information relevant to, Private Fund Investors, it is designed solely to provide information about the Advisers and should not be considered an offer of interests in any Private Fund.

U.S.-domiciled Private Funds advised by an Adviser are typically organized as limited partnerships under the laws of jurisdictions within the United States (collectively, the "**U.S. Private Funds**") and typically are excluded from the definition of an "investment company" pursuant to Section 3(c)(1) or 3(c)(7) of the 1940 Act. Private Funds that are organized under the laws of jurisdictions outside of the United States (the "**Offshore Funds**") are typically offered to persons who are not "U.S. Persons," as defined under Regulation S of the Securities Act, and/or on a private placement basis to certain U.S. Persons (typically tax-exempt institutions) pursuant to Section 3(c)(1) or 3(c)(7) of the 1940 Act. Private Fund Investors are subject to certain eligibility requirements that are disclosed in the PPM or other offering documents for each of the U.S. Private Funds and Offshore Funds.

Certain Private Funds operate using master/feeder structures, where trading and investment operations occur at the master fund level while Private Fund Investors typically invest through one or more feeder funds that, in turn, invest substantially all of their assets in the master fund. Private

Funds of certain Advisers include, but are not limited to, funds of funds that invest primarily in other affiliated or unaffiliated investment vehicles (each a “**Fund of Funds**”).

Additionally, certain Advisers provide advisory services to one or more Private Funds that are collective investment trusts exempted from the definition of an “investment company” pursuant to Section 3(c)(11) of the 1940 Act.

OTHER POOLED INVESTMENT VEHICLES

In addition, certain Advisers’ assets under management include assets in funds that are sold outside of the United States, and whose investment objectives vary. The Advisers provide investment management, marketing and distribution services to vehicles, including SICAV funds, UCITS funds, contract-type funds and open-ended investment companies organized in Luxembourg and the United Kingdom, which are distributed in non-U.S. marketplaces, as well as to locally organized funds in various countries outside the United States.

USE AND PROVISION OF CLIENT INFORMATION AND CONFIDENTIALITY CLAUSES IN INVESTMENT MANAGEMENT AGREEMENTS

An Adviser will at times include a Separate Account client’s name in a representative or sample client list prepared by the Adviser with the client’s consent.

The Advisers are not generally required to provide notice to, or obtain the consent of, any client for use or disclosure of Account information to third parties, provided such use does not disclose the client’s name or other personal information. This may include information relating to the Advisers’ investment experience with respect to an Account or an Account’s performance, composite and representative Account performance presentations, marketing materials, attribution and research analyses, statistical and data compilations, or similar materials.

In various circumstances, an Adviser will disclose information to third parties that include a client’s name, account number or other account information (including non-public information), including, but not limited to: (i) in connection with the performance of the Adviser’s services under the respective investment management agreement (including, but not limited to, providing trading and other account information to brokers, third-party administrators, consultants, auditors and other counterparties, and the preparation and printing of client account statements and reports by third parties), (ii) if required by law or regulatory authority, including, but not limited to, any subpoena, administrative, regulatory or judicial demand or court order, or (iii) in connection with the bylaws or equivalent governing documents of any issuer in which the Account is invested. While the Advisers are not generally required to provide notice or obtain consent in these situations, certain clients may request in their investment management agreement notice of a regulatory request, to the extent permitted by applicable law or regulation.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

The Accounts advised by the Advisers accommodate a variety of investment goals and risk tolerances – from capital appreciation (with more growth-oriented strategies) to capital preservation (with fixed-income strategies). In seeking to achieve an Account’s specific investment objectives, each portfolio emphasizes different strategies and invests in different types of securities. The Advisers do not typically seek to recommend a particular type of security to a client.

For more information about the specific methods of analysis and investment strategies of a specific Adviser, please see that Adviser’s Appendix.

INVESTMENT RISKS

Particular investment strategies or investments in different types of securities or other investments involve specific risks, including risk of loss, that clients should be prepared to bear. The risks involved, and their degree of significance, for different Accounts will vary based on each client’s investment strategy and the type of securities or other investments held in the Account. The following are descriptions of a number of the material risks, listed alphabetically, related to the significant investment strategies used by the Advisers and, with respect to Fund of Funds, by the managers of the underlying funds. Not all possible risks are described below. Please refer to an

Adviser's Appendix for a list of the relevant material risks related to the significant investment strategies used by such Adviser.

Algorithm Risks – One or more Advisers offer electronic or software-based advisory programs, which use proprietary investment algorithms to develop a portfolio for the client based on information provided by the client. There are limitations inherent in the use of algorithms to manage Accounts. For instance, an algorithm is designed to manage Accounts according to the asset allocation selected for that Account and is not designed to actively manage asset allocations based on short-term market fluctuations or back to back down market events. Algorithms are also not designed to consider certain factors such as short-term asset class volatility or individual tax circumstances such as capital gains taxes; rather, its functions consist of proposing a portfolio based on a client's answers to the online questionnaire, identifying opportunities for reallocation, and initiating buy/sell orders or recommendations accordingly. Investment advisory personnel oversee the algorithm and the portfolios used and produced by the algorithm, but they do not personally or directly monitor each individual Account. The Advisers' algorithms are subject to periodic updates, and modifications and changes arising therefrom may have unintended consequences. There is also a risk that the algorithm and related software used for strategy selection, reallocation, and related functions may not perform within intended parameters, which may result in a recommendation of a portfolio that is more aggressive or conservative than necessary, and trigger or fail to initiate rebalancing.

Alpha Replication Strategies – Certain replication strategies depend on public filings in order to create the universe of investments. Such filings may be late, delayed and/or reflect incorrect data and reflect the trading decisions of unrelated investment managers. Accordingly, the trades made based on the information contained in these filings may be based on incorrect or out-of-date information and could lead to losses.

Asset Allocation – The Advisers' ability to achieve their investment goal may depend upon their skill in determining a portfolio's asset allocation mix and/or selecting sub-advisers. There is the possibility that the Advisers' evaluations and assumptions regarding asset classes and the selected sub-advisers will not be successful in view of actual market trends.

Asset-Backed Securities – Issuers of asset-backed securities may have limited ability to enforce the security interest in the underlying assets, and credit enhancements provided to support the securities, if any, may be inadequate to protect investors in the event of default. Asset-backed securities are subject to prepayment and extension risks.

Beta Replication Strategies – The Advisers of certain Private Funds, and potentially Separate Accounts, may attempt to approximate synthetically the returns of a diversified pool of hedge fund investment strategies via liquid market instruments. The investment methodology is based on recreating the beta of one or more hedge fund indices or a diversified pool of hedge fund assets. An Adviser will accomplish this by using proprietary algorithmic regression techniques in an attempt to infer the index or benchmark portfolio's exposure to various risk factors, and then will invest the Account's assets in a set of liquid securities, including but not limited to futures, swaps and forwards contracts, ETFs, and related options or other derivatives. This replication strategy seeks to analyze the factors that drive hedge fund returns, as determined by reference to one or more indices. These indices may not provide an accurate representation of hedge fund returns generally, and the replication strategy may not successfully identify or be able to replicate, factors that drive returns. Numerous hedge funds have suffered sudden and dramatic losses, and this "risk of ruin" is generally not reflected in any index combining a large number of self-reporting funds. Therefore, it is difficult, if not impossible, to "mirror" a hedge fund index and performance may be materially less than such index. There is a risk that hedge fund return data provided by third-party hedge fund index providers may be inaccurate or may not accurately reflect hedge fund returns due to survivorship bias, self-reporting bias or other biases.

Even if an index does provide an accurate representation of hedge fund returns generally, the performance of the strategy may not match the returns of any such index during any period of time because of the inability of the strategy to replicate hedge fund returns (which are based on many different types of assets, including illiquid assets, that may not be available for investment by the Private Fund or Separate Account employing this strategy) using futures and forward contracts and because of differences in volatility between the portfolio of a Private Fund or Separate Account employing this strategy and the returns of the index. In addition, unlike an index, this strategy will

be subject to a management fee and other expenses. Therefore, the returns of the strategy may differ significantly from returns of hedge funds generally, or the returns of any particular index.

Blend Style Investing – A “blend” strategy results in investments in both growth and value stocks, or in stocks with characteristics of both. Growth stock prices reflect projections of future earnings or revenues and can fall dramatically if the company fails to meet those projections. With respect to value stocks, if other investors fail to recognize the company’s value, or favor investing in faster-growing companies, value stocks may not increase in value as anticipated by the Adviser or may decline even further.

Collateralized Debt Obligations – The risks of an investment in a collateralized debt obligation or similarly structured, asset backed security (“CDO”) depend largely on the type of collateral held by the special purpose entity, the tranche of the CDO in which an Account directly or indirectly invests, and may be affected by the performance of a CDO’s collateral manager. Common varieties of CDOs include collateralized loan obligations, collateralized bond obligations, structured finance CDOs and synthetic CDOs. CDOs are, from time to time, illiquid investments. All tranches of CDOs can experience, and at times many have experienced, substantial losses due to actual defaults, increased sensitivity to future defaults due to the disappearance of protecting tranches, market anticipation of defaults, and market aversion as an asset class. In addition to the normal risks associated with asset backed securities (e.g., interest rate risk, credit risk and default risk), CDOs carry additional risks, such as: (i) distributions from collateral securities may be inadequate to make interest or other payments; (ii) the collateral may decline in value or quality, go into default, or be downgraded; (iii) an Account may directly or indirectly invest in tranches of a CDO that are subordinate to other classes; and (iv) the security’s complex structure may not be fully understood at the time of investment.

Concentration – Concentrating investments in a particular country, region, market, industry or asset class means that performance will be more susceptible to loss due to adverse occurrences affecting that country, region, market, industry or asset class. A portfolio concentrating in a single state or jurisdiction is subject to greater risk of adverse economic, market, political or social conditions and regulatory changes than a portfolio with broader geographical diversification. Similarly, in the event of economic or political turmoil or a deterioration of diplomatic relations in a region or country where a substantial portion of an Account’s assets are invested, the portfolio may experience substantial illiquidity or reduction in the value its investments. Moreover, adverse conditions in a certain region, country, market or industry can adversely affect securities of issuers in other regions, countries, markets or industries whose economies appear to be unrelated. Accounts that specialize in investing in a particular industry or region of the world may be required to continue to invest in a particular industry or geographic area even if it is performing poorly.

Convertible Securities – Convertible securities are subject to the risks of stocks when the underlying stock price is high relative to the conversion price (because more of the security’s value resides in the conversion feature) and debt securities when the underlying stock price is low relative to the conversion price (because the conversion feature is less valuable). A convertible security is not as sensitive to interest rate changes as a similar non-convertible debt security, and generally has less potential for gain or loss than the underlying stock. Since it is convertible into common stock, the convertible security generally has the same types of market and issuer risk as the underlying common stock. Convertible securities that are debt securities are also subject to the normal risks associated with debt securities, such as interest rate risks, credit spread expansion, and ultimately default risk. Convertible securities are also subject to liquidity risk based upon market conditions. An issuer may be more likely to fail to make regular payments on a convertible security than on its other debt because other debt securities may have a prior claim on the issuer’s assets, particularly if the convertible security is preferred stock. However, convertible securities usually have a claim prior to the issuer’s common stock. In addition, for some convertible securities, the issuer can choose when to convert to common stock, or can “call” (i.e., redeem) the convertible security, which may be at times that are disadvantageous for an Account.

Credit – An issuer of debt securities may fail to make interest payments and repay principal when due, in whole or in part. Changes in an issuer’s financial strength, the market’s perception of the issuer’s financial strength or in an issuer’s securities’ or a government’s credit rating may affect a security’s value. While some securities are backed by the full faith and credit of the U.S. government or other issuing government, guarantees of principal and interest do not apply to

market values or yields. Substantial losses may be incurred on debt securities that are inaccurately perceived to present a different amount of credit risk by the market, the Advisers or the rating agencies than such securities actually do. The Advisers may make investments in high-yield debt securities (including loans) and unrated securities of similar credit quality that involve greater risk of a complete loss of the investment, or delays of interest and principal payments, than higher-quality debt securities.

Credit Facilities – Certain Private Funds may utilize credit facilities for short-term money management purposes in connection with the receipt of subscription proceeds, redemption requests, or portfolio reallocations. Such credit facilities may be provided at prevailing market rates by a Private Fund's custodian or its affiliates, or from unaffiliated third parties. Should such credit facilities be utilized, a Private Fund may be subject to greater risk of loss than if it did not utilize such credit facilities, and would incur additional interest and other expenses with respect to such facilities. A credit facility provider would be entitled to all or part of the collateral posted by the applicable Private Fund should the Private Fund default on its obligations under the agreement with such credit facility provider.

Currency Management Strategies – Currency management strategies may substantially change exposure to currency exchange rates and could result in losses to an Account if currencies do not perform as the Advisers expect. In addition, currency management strategies, to the extent that they reduce exposure to currency risks, also reduce the ability to benefit from favorable changes in currency exchange rates. There is no assurance that the Advisers' use of currency management strategies will benefit a particular Account or that they will be, or can be, used at appropriate times. Furthermore, there may not be perfect correlation between the amount of exposure to a particular currency and the amount of securities in the portfolio denominated in that currency. Investing in foreign currencies for purposes of gaining from projected changes in exchange rates, as opposed to hedging currency risks applicable to a portfolio's holdings, further increases the exposure of an Account to foreign securities losses.

Cybersecurity Risks – The Advisers, service providers to the Accounts and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Accounts and their investors, despite the efforts of the Adviser and the Accounts' service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Accounts and their investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of the Advisers, the Accounts' service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of the Advisers' systems to disclose sensitive information in order to gain access to the Advisers' data or that of their clients. A successful penetration or circumvention of the security of the Advisers' systems could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Accounts, the Advisers or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss, among others. In addition, the Advisers may incur substantial costs related to forensic analysis of the origin and scope of a cybersecurity breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, adverse investor reaction or litigation. Similar types of operational and technology risks are also present for the companies in which the Accounts invest, which could have material adverse consequences for such companies, and may cause the Accounts' investments to lose value.

Debt Securities – In general, a debt security represents a loan of money to the issuer by the purchaser of the security. A debt security typically has a fixed payment schedule that obligates the issuer to pay interest to the lender and to return the lender's money over a certain time period. Debt securities are all generally subject to interest rate, credit, income and prepayment risks and, like all investments, are subject to liquidity and market risks to varying degrees depending upon the specific terms and type of security. The Advisers attempt to reduce credit and market risk

through diversification and ongoing credit analysis of each issuer, as well as by monitoring economic developments, but there can be no assurance that it will be successful at doing so.

Depository Receipts – Depository receipts are subject to many of the risks of the underlying securities. For some depository receipts, the custodian or similar financial institution that holds the issuer's shares in a trust account is located in the issuer's home country. In these cases, if the issuer's home country does not have developed financial markets, an Account could be exposed to the credit risk of the custodian or financial institution and greater market risk. In addition, the depository institution may not have physical custody of the underlying securities at all times and may charge fees for various services. There may also be delays in receiving dividend and interest payments or in the ability to exercise any shareholder rights. Moreover, there may be an increased possibility of untimely responses to certain corporate actions of the issuer in an unsponsored depository receipt program. Accordingly, there may be less information available regarding issuers of securities underlying unsponsored programs and there may not be a correlation between this information and the market value of the depository receipts.

Derivative Instruments – The performance of derivative instruments (such as forwards, options, swaps and futures) depends largely on the performance of an underlying instrument, such as a currency, security, interest rate or index, and such derivatives often have risks similar to their underlying instrument, in addition to other risks. Derivatives involve costs and can create economic leverage in an Account portfolio that may result in significant volatility and cause the Account to participate in losses (as well as enable gains) in an amount that exceeds the initial investment. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment. Other risks include illiquidity, mispricing or improper valuation of the derivative instrument, and imperfect correlation between the value of the derivative and the underlying instrument so that the intended benefits may not be realized. Their successful use will usually depend on the Advisers' ability to accurately forecast movements in the market relating to the underlying instrument. Should a market or markets, or prices of particular classes of investments, move in an unexpected manner, especially in unusual or extreme market conditions, the Account may not realize the anticipated benefits of the transaction and it may realize losses, which could be significant. If the Advisers are not successful in using such derivative instruments, the Account's performance may be worse than if the Advisers had not used such derivative instruments at all. When a derivative is used for hedging, the change in value of the derivative may also not correlate specifically with the currency, security, interest rate, index or other risk being hedged. There is also the risk, especially under extreme market conditions, that an instrument, which usually would operate as a hedge, provides no hedging benefits at all. In addition, there is the risk that a counterparty will not settle a transaction in accordance with its terms for reasons such as the counterparty has a credit or liquidity problem. This risk is heightened if the Account buys and sells derivative instruments in over-the-counter markets.

Developing and Emerging Market Countries – The Advisers may cause an Account to directly or indirectly make investments in developing and emerging market countries. These investments are subject to all of the risks of investing in non-U.S. securities generally (see the "Non-U.S. Securities" risk below), and have additional heightened risks due to a lack of established legal, political, business and social frameworks to support securities markets, including: less social, political and economic stability; delays in settling portfolio securities transactions; less transparent and established taxation policies; currency and capital controls; greater sensitivity to interest rate changes; pervasiveness of corruption and crime; less developed regulatory or legal structures; currency exchange rate volatility; and inflation, deflation or currency devaluation. Also, many developing and emerging market countries have a high dependence on a small group of markets or even a single market. In addition, the existing governments in the relevant countries could take actions that could negatively impact such investments, including nationalization, expropriation, imposition of confiscatory taxation or regulation or imposition of withholding taxes. The economies of many of the developing and emerging market countries are still in the early stages of modern development and are subject to abrupt and unexpected change.

Distressed Credit – Accounts may directly or indirectly invest in securities of U.S. and non-U.S. issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, or that are involved in bankruptcy or reorganization proceedings. Investments of this type may involve substantial financial and business risks that can result in substantial or at times even total losses.

Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by U.S. state and federal laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability, and the U.S. Bankruptcy Court's power to disallow, reduce, subordinate, or disenfranchise particular claims. The market prices of such securities are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and ask prices of such securities may be greater than those in other securities markets. It may take a number of years for the market price of such securities to reflect their intrinsic value, if such value is ever realized.

Dividend-Oriented Companies – Companies that have historically paid regular dividends to shareholders may decrease or eliminate dividend payments in the future. A decrease in dividend payments by an issuer may result in a decrease in the value of the issuer's stock and less available income for the portfolio.

Equity-Linked Notes – Investments in equity-linked notes ("ELNs") often have risks similar to their underlying securities, which could include management risk, market risk and, as applicable, non-U.S. securities and currency risks. In addition, ELNs are in note form and therefore subject to certain debt securities risks, such as interest rate and credit risks. Should the prices of the underlying securities move in an unexpected manner, an Account may not achieve the anticipated benefits of an investment in an ELN, and may realize losses, which could be significant, including the entire principal investment in the ELN. ELNs are also subject to counterparty risk, which is the risk that the issuer of the ELN will default or become bankrupt and fail to repay the principal amount of, or income from, the investment. Investments in ELNs are also subject to liquidity risk, which may make ELNs difficult to sell and value. In addition, ELNs may exhibit price behaviour that does not correlate with the underlying securities or a fixed-income investment.

Equity Securities – Equity securities represent a proportionate share of the ownership of a company. Their value is based on the success of the company's business and the value of its assets, as well as general market conditions, including changes in economic conditions, growth rates, profits, interest rates, and the market's perception of the company's securities. The purchaser of an equity security typically receives an ownership interest in the company as well as certain voting rights. The owner of an equity security may participate in a company's success through the receipt of dividends, which are distributions of earnings by the company to its owners. Equity security owners may also participate in a company's success or lack of success through increases or decreases in the value of the company's shares.

Extension – Some debt securities, particularly mortgage-backed securities, are subject to the risk that the debt security's effective maturity is extended because calls or prepayments are less or slower than anticipated, particularly when interest rates rise. When that occurs, the effective maturity date of the Account's investment may be extended, resulting in an increase in interest rate sensitivity to that of a longer-term instrument. Such extension may also effectively lock-in a below market interest rate and reduce the value of the debt security.

Floating Rate Corporate Investments – Floating rate corporate loans and corporate debt securities generally have credit ratings below investment grade and may be subject to resale restrictions. They are often issued in connection with highly leveraged transactions, and may be subject to greater credit risks than other investments including the possibility of default or bankruptcy. In addition, a secondary market in corporate loans may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods, which may impair the ability to accurately value existing and prospective investments and to realize in a timely fashion the full value on sale of a corporate loan. A significant portion of floating rate investments may be "covenant lite" loans that may contain fewer or less restrictive constraints on the borrower or other borrower-friendly characteristics.

Forward Trading – Certain Accounts may directly or indirectly engage in forward trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated, there is no limitation on daily price movements and position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade, and these markets can experience periods of illiquidity, sometimes of

significant duration. There have been periods during which certain participants in these markets have been unable to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell.

Frontier Market Countries – Frontier market countries generally have smaller economies and even less developed capital markets than traditional developing markets, and, as a result, the risks of investing in developing market countries are magnified in frontier market countries. The magnification of risks are the result of: potential for extreme price volatility and illiquidity in frontier markets; government ownership or control of parts of the private sector and of certain companies; trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the frontier market countries or their trading partners; and the relatively new and unsettled securities laws in many frontier market countries.

Futures – Futures markets are highly volatile. Investing in the futures markets requires the ability to correctly analyze such markets, which are influenced by, among other things: changing supply and demand relationships; weather; governmental, agricultural, commercial, and trade programs and policies designed to influence commodity prices; world political and economic events; and changes in interest rates. Moreover, investments in futures involve additional risks including, without limitation, credit risk with respect to the contract counterparty and from the use of leverage. The low initial margin deposits normally required in futures contract trading permit an extremely high degree of leverage, which may lead to immediate and substantial losses to an Account from a relatively small price movement. An Account's futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Account from promptly liquidating unfavorable positions and subject it to substantial losses.

Growth Style Investing – Growth stock prices reflect projections of future earnings or revenues, and can, therefore, fall dramatically if the company fails to meet those projections. Prices of these companies' securities may be more volatile than other securities, particularly over the short term.

High-Yield Debt Securities – Issuers of lower-rated or high-yield debt securities (including loans) and unrated securities of similar credit quality ("high-yield debt instruments" or "junk bonds") are not as strong financially as those issuing higher credit quality debt securities. These issuers are more likely to encounter financial difficulties because they may be more highly leveraged, or because of other considerations. In addition, high yield debt securities generally are more vulnerable to changes in the relevant economy, such as a recession or a sustained period of rising interest rates, that could affect their ability to make interest and principal payments when due. The prices of high-yield debt instruments generally fluctuate more than higher-quality securities. High-yield debt instruments are generally more illiquid (harder to sell) and harder to value. Less public information and independent credit analysis are typically available about high-yield debt securities, and therefore they may be subject to greater risk of default.

Highly Volatile Markets – The prices of securities and derivative instruments, including futures and options prices, may be highly volatile. Price movements of securities, forward contracts, futures contracts, and other derivative contracts in which Accounts may directly or indirectly invest are influenced by, among other things: interest rates; changing supply and demand relationships; trade, fiscal, monetary, regulatory and exchange control programs and policies of governments; and U.S. and international political and economic events and policies. In addition, governments from time to time intervene, directly and/or by regulation, in certain markets, particularly those in currencies and interest rate related futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. Accounts also are subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses.

Illiquidity of Underlying Funds – The underlying funds in which a Fund of Funds will invest generally will not be registered as investment companies and interests therein are subject to legal

or other restrictions on transfer. It may be impossible for the Advisers to redeem Fund of Funds' interests in such underlying funds when desired or to realize their fair value in the event of such redemptions. Certain underlying funds may permit redemptions only on a semi-annual, annual, or less frequent basis or be subject to "lock-ups" (where investors are prohibited from redeeming their capital for a specified period following investment in such fund) and/or "gates" (where redemption at any given redemption date is restricted to a specified percentage of such underlying fund's assets). In addition, underlying funds are typically able to suspend redemptions by their investors under a variety of circumstances. Further, some underlying funds may limit or suspend redemptions with respect to "side pocket" investments (where an underlying fund classifies a particular investment as "illiquid" or "designated" and investors generally cannot receive their allocable share until such investment is liquidated or otherwise realized). Each such investment will be accounted for by such underlying fund separately from all such fund's other investments and will generally be carried at cost until liquidated or marked-to-market. Illiquidity in underlying funds may affect the ability of a Fund of Funds to make redemptions of its investors' interests or shares.

Index-Related – There is no assurance that the underlying index for certain ETFs will be determined, composed or calculated accurately. Such underlying index generally relies on various sources of information to assess the criteria of issuers included in such underlying index, including information that may be based on assumptions and estimates. The Adviser cannot ensure that such underlying index's calculation methodology or sources of information will provide an accurate assessment of included issuers or that the included issuers will provide the market exposure the Adviser seeks. In addition, certain underlying indexes rely on the multi-factor stock selection processes of the underlying index's third-party owner, which the Adviser cannot ensure will enhance performance, and may even detract from performance in some market environments, perhaps for extended periods. Gains, losses or costs to an Account caused by errors in the underlying index may therefore be borne by the client.

Inflation – The market price of debt securities generally falls as inflation increases because the purchasing power of the future income and repaid principal is expected to be worth less when received. Debt securities that pay a fixed rather than variable interest rate are especially vulnerable to inflation risk because variable-rate debt securities may be able to participate, over the long term, in rising interest rates which have historically corresponded with long-term inflationary trends.

Infrastructure, Energy and Power-Related Companies – Infrastructure, energy and power-related companies may be subject to a variety of factors that may adversely affect their business or operations, including high interest costs in connection with capital construction programs, high leverage, costs associated with environmental and other regulations, the effects of economic slowdown, surplus capacity, increased competition from other providers of services, uncertainties concerning the availability of fuel at reasonable prices, the effects of energy conservation policies and other factors. Other factors that may affect the operations of infrastructure, energy and power-related companies include difficulty in raising capital in adequate amounts on reasonable terms in periods of high inflation and unsettled capital markets, inexperience with and potential losses resulting from a developing deregulatory environment, increased susceptibility to terrorist acts or political actions, and general changes in market sentiment towards infrastructure, energy and/or power assets.

Interest Rate – When interest rates rise, debt security prices generally fall. The opposite is also generally true: debt security prices rise when interest rates fall. Interest rate changes on the whole are influenced by a number of factors including government policy, monetary policy, inflation expectations, perceptions of risk, and supply of and demand for bonds. In general, securities with longer maturities are more sensitive to these interest rate changes.

Investing in ETFs – An investment in an ETF is subject to all the risks of investing in the securities held by the ETF and has similar risks as investing in a closed-end fund. Additionally, investment in ETFs will from time to time create greater risks than investing directly in the ETFs' underlying securities. These risks include the possibility that an ETF may experience a lack of liquidity that can result in greater volatility than its underlying securities; an ETF may trade at a premium or discount to its net asset value; or an ETF may not replicate exactly the performance of the benchmark index it seeks to track. In addition, investing in an ETF may also be more costly than owning the underlying securities directly. An Account bears a proportionate share of the ETF's

expenses, which include management and advisory fees and other expenses. Moreover, an Account pays brokerage commissions in connection with the purchase and sale of shares of ETFs.

Investing in Underlying Funds – Because the investments made by a Fund of Funds are concentrated in the underlying funds it selects, and the Fund of Funds' performance is directly related to the performance of the underlying funds held by it, the ability of a Fund of Funds to achieve its investment goal is directly related to the ability of the underlying funds to meet their investment goals. In addition, shareholders of a Fund of Funds will indirectly bear the fees and expenses of the underlying funds. Depending on the size of the investment made by a Fund of Funds in an underlying fund and the timing of the redemption of such investment, an underlying fund could be forced to alter its portfolio assets significantly to accommodate a large redemption order. This could negatively impact the performance of the underlying fund as it may have to dispose prematurely of portfolio assets that have not yet reached a desired market value, resulting in a loss to the underlying fund. An underlying fund may engage in frequent trading of its portfolio securities, which may indirectly impact the Fund of Funds' investment performance, particularly through increased brokerage and other transaction costs and taxes. Additionally, when valuing Funds of Funds and other products or accounts which invest in privately placed pooled investment vehicles managed by third-parties or other underlying funds sponsored by third-party managers, the Advisers generally rely on pricing information provided by the private fund or the fund's manager or other service provider. While the Advisers expect that such persons will provide appropriate valuations, certain investments will likely be complex or difficult to value. The Advisers may also perform their own valuation analysis, but generally will not independently assess the accuracy of such valuations. Moreover, the Advisers may be unable to determine whether the underlying fund or its manager is following the investment program described in the underlying fund's offering documents. The investment risks described above are the principal risks of the Fund of Funds and the underlying funds in which it invests.

Leverage – Certain Advisers will, from time to time, cause certain Accounts that they advise to leverage their capital if the Advisers believe it may enable the Accounts to achieve a higher rate of return. This is particularly true with respect to Accounts that are not U.S. Registered Funds, as they are not generally subject to the regulatory restrictions that apply to borrowing by U.S. Registered Funds. However, the use of leverage means that a decline in value of an Account's investment could result in a substantial loss that would be greater than if the Account were not leveraged. In addition, leveraging by means of borrowing may exaggerate the effect of any increase or decrease in the value of portfolio securities on an Account's net asset value, and money borrowed will be subject to interest and other costs (which may include commitment fees and/or the cost of maintaining minimum average balances), which may or may not exceed the income or gains received from the securities purchased with borrowed assets.

Liquidity – Liquidity risk exists when the markets for particular securities or types of securities are or become relatively illiquid so that it is or becomes more difficult to sell the security, partially or in full, at the price at which the security was valued. Illiquidity may result from political, economic or issuer-specific events; changes in a specific market's size or structure, including the number of participants; or overall market disruptions. Securities with reduced liquidity or that become illiquid involve greater risk than securities with more liquid markets. Market quotations for illiquid securities may be volatile and/or subject to large spreads between bid and ask prices. Reduced liquidity may have an adverse impact on market price and the ability to sell particular securities when necessary to meet liquidity needs, which may arise or increase in response to a specific economic event or because of a desire to purchase particular investments or a belief that a higher level of liquidity would be advantageous. An investment may become illiquid if the Adviser and its affiliates receive material non-public information about the issuer or the investment. To the extent that a significant portion of an issuer's outstanding securities is held, greater liquidity risk will exist than if the issuer's securities were more widely held.

Management – The investment strategies, techniques and risk analyses employed, while designed to enhance returns, may not produce the desired results. The assessment of a particular security or assessment of market, interest rate or other trends could be incorrect, which can result in losses (realized and/or unrealized).

Market – The market value of securities or other investments managed by the Advisers will go up and down, sometimes rapidly or unpredictably. Investments may decline in value due to factors

that affect an individual issuer (such as the result of supply and demand) or a particular industry or sector. A security's or other investment's market value may also go up and down due to general market activity or other results of supply and demand unrelated to the issuer, such as real or perceived adverse economic conditions, changes in interest rates or exchange rates, or adverse investor sentiment generally. In addition, extraordinary events and their aftermaths, such as epidemics and pandemics; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. This is a basic risk associated with all securities. During a general downturn in the markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that securities or other investments will participate in or otherwise benefit from the advance.

Stock prices tend to go up and down more dramatically than those of debt securities. A slower growth or recessionary economic environment could have an adverse effect on the prices of the various stocks held by a portfolio managed by the Advisers.

U.S. and global financial markets and the broader current financial environment have recently been characterized by uncertainty, volatility and instability as a result of global events, including the "financial crisis" of 2008-2009 and the "COVID-19 pandemic" of 2019-2020 (and beyond). These financial market fluctuations have the tendency to reduce the availability of attractive investment opportunities and may affect the Accounts' ability to make investments and the value of the investments held by the Accounts. There can be no assurance that the market will, in the future, become more liquid than it is at present and it may well be volatile for the foreseeable future. The duration and ultimate effect of recent market conditions and whether such conditions may worsen cannot be predicted and there can be no assurances that conditions in the financial markets will not worsen or adversely affect one or more of an Account's investments.

Marketplace Loans – Marketplace loans are originated through online platforms that provide a marketplace for lending and matching consumers, small and mid-sized enterprises or companies, and other borrowers seeking loans with investors that are willing to provide the funding for such loans ("**Marketplace Loans**"). Marketplace Loans are subject to the risks associated with debt investments generally, including, but not limited to, interest rate, credit, liquidity, high-yield debt, market and income risks. Marketplace loans generally are not rated by rating agencies, are often unsecured, and are highly risky and speculative investments. A platform operator is not obligated to make any payments due on a Marketplace Loan except to the extent that the operator actually receives payments from the borrower on the related loan. Accordingly, lenders and investors assume all of the credit risk on the loans they fund or purchase and there are no assurances that payments due on underlying loans will be made. In addition, Marketplace Loans may represent obligations of consumers who would not otherwise qualify for, or would have difficulty qualifying for, credit from traditional sources of lending, or that are unable to effectively access public equity or debt markets, as a result of, among other things, limited assets, adverse income characteristics, limited credit or operating history or an impaired credit record. As a result of the credit profile of the borrowers and the interest rates on Marketplace Loans, the delinquency and default experience on the Marketplace Loans may be significantly higher than those experienced by financial products arising from traditional sources of lending. A platform may be unable, or may not seek, to verify all of the borrower information obtained by it. Moreover, the platforms' credit decisions and scoring models are based on algorithms that could potentially contain programming or other errors or prove to be ineffective or otherwise flawed. In addition, courts have recently considered the regulatory environment applicable to marketplace lending platforms and purchasers of Marketplace Loans. In light of recent decisions, if upheld and widely applied, certain marketplace lending platforms could be required to restructure their operations and certain loans previously made by them through funding banks may not be enforceable, whether in whole or in part, by investors holding such loans or such loans could be subject to reduced returns and/or the platform subject to fines and penalties.

Merger Arbitrage Securities– A merger or other restructuring, or a tender or exchange offer, proposed or pending at the time a portfolio invests in merger arbitrage securities may not be completed on the terms or within the time frame contemplated, which may result in losses to the Account.

Mortgage Securities – Mortgage securities differ from conventional debt securities because principal is paid back periodically over the life of the security rather than at maturity. Investors may receive unscheduled payments of principal due to voluntary prepayments, refinancings or foreclosures on the underlying mortgage loans. Because of prepayments, mortgage securities may be less effective than some other types of debt securities as a means of “locking in” long-term interest rates and may have less potential for capital appreciation during periods of falling interest rates. A reduction in the anticipated rate of principal prepayments, especially during periods of rising interest rates, may increase or extend the effective maturity of mortgage securities, making them more sensitive to interest rate changes, subject to greater price volatility, and more susceptible than some other debt securities to a decline in market value when interest rates rise.

Multiple Layers of Fees Charged to Fund of Funds – Fund of Funds will be subject to substantial charges, directly and indirectly, at the underlying fund level (including management and incentive fees payable to the investment managers of the underlying funds). These multiple layers of fees could increase substantially as a result of the underlying fund manager’s incentive fees, which, if earned, are payable irrespective of the overall profitability of the Fund of Funds (as opposed to the profitability of the individual underlying fund).

Non-Correlation – Certain Accounts, including ETFs, seek to track or are correlated with an underlying index. There is no guarantee that the Adviser will achieve a high degree of correlation to an underlying index. Market disruptions and regulatory restrictions could have an adverse effect on the Adviser’s ability to adjust an Accounts exposure to the required levels in order to track an underlying index.

Non-Diversification – Non-diversification of investments means a portfolio may invest a large percentage of its assets in securities issued by or representing a small number of issuers. As a result, the portfolio’s performance may depend on the performance of a smaller number of issuers.

Non-U.S. Securities – Directly or indirectly investing in non-U.S. securities typically involves more risks than investing in U.S. securities, and includes risks associated with: (i) political and economic developments – the political, economic and social policies or structures of some countries may be less stable and more volatile than those in the United States, (ii) trading practices – government supervision and regulation of non-U.S. security and currency markets, trading systems and brokers may be less than in the United States, (iii) availability of information – non-U.S. issuers may not be subject to the same disclosure, accounting and financial reporting standards and practices as U.S. issuers and information may be less timely and/or reliable than information provided by U.S. issuers, (iv) limited markets – the securities of certain non-U.S. issuers may be less liquid (harder to sell) and more volatile, and (v) currency exchange rate fluctuations and policies. In addition, there is risk of unfavorable tax policies, including but not limited to, substantial, punitive or confiscatory tax increases; withholding and other foreign taxes on income (including capital gains or other amounts); taxation on a retroactive basis; sudden or unanticipated changes in foreign tax laws; financial transaction taxes; denial or delay of the realization of tax treaty benefits; and the payment of foreign taxes not available for credit or deduction when passed through to shareholders. Although not typically subject to currency exchange rate risk, depositary receipts may be subject to the same risks as non-U.S. securities generally. The risks of investments outside the United States may be greater in developing countries or emerging market countries. Certain of the foregoing risks also may apply to securities of U.S. companies with significant foreign operations.

Options – Certain Accounts directly or indirectly invest in options. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Although an option buyer’s risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying securities. In theory, an uncovered call writer’s loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying securities may fall below the exercise price. The ability to trade in or exercise options may be restricted if trading in the underlying securities interest becomes restricted. Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of over-the-counter options (options not traded on exchanges) are generally established through negotiation with the other party to the option contract. While this type of arrangement allows greater flexibility to tailor an option to its needs, over-the-counter options generally involve greater credit risk than exchange-

traded options, which are guaranteed by the clearing organization of the exchanges where they are traded.

OTC Transactions – Certain Accounts may directly or indirectly trade in derivative instruments that are not traded on organized exchanges and, as such, are not standardized. These transactions are known as over-the-counter (“**OTC**”) transactions. In general, there is less governmental regulation and supervision in the OTC markets than there is with respect to transactions entered into on an organized exchange. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, are not available in connection with OTC transactions. Moreover, while some OTC markets are often highly liquid, transactions in OTC derivatives may involve greater risk than investing in exchange traded instruments because there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk. Bid and offer prices need not be quoted and, even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what is a fair price.

Outbreaks, Pandemics and Other Public Health Issues – In general, unexpected local, regional or global events, such as the spread of infectious illnesses or other public health issues and their aftermaths, could have a significant adverse impact on the Advisers’ operations (including the ability of the Advisers to find and execute suitable investments) and therefore the Accounts’ potential returns. In addition, such infectious illness outbreaks, as well as any restrictive measures implemented to control such outbreaks, could adversely affect the economies of many nations or the entire global economy, the financial condition of individual issuers or companies (including those that are held by, or are counterparties or service providers to, the Accounts) and capital markets in ways that cannot necessarily be foreseen, and such impact could be significant and long term. Moreover, the impact of infectious illnesses in emerging market countries may be greater due to generally less established healthcare systems. If such events occur, an Account’s exposure to a number of other risks described elsewhere in this brochure can increase.

For example, an outbreak of an infectious respiratory illness caused by a novel coronavirus known as COVID-19 was first detected in China in December 2019 and later detected globally, causing the World Health Organization to declare it a pandemic. This coronavirus caused global distress and market volatility and uncertainty, and it resulted in travel restrictions, closed international borders, enhanced health screenings at ports of entry and elsewhere, disruption of and delays in healthcare service preparation and delivery, prolonged quarantines, cancellations of services, supply chain disruptions, lower consumer demand and disruptions or suspensions of business activities across a wide range of industries (including causing the Advisers and other service providers to certain Accounts to implement business contingency plans). As of the date of this brochure, the long-term economic fallout of COVID-19 is difficult to predict, and the outbreak could adversely affect the Accounts’ investments and/or the Advisers’ operations.

Passive Investment – For certain Account mandates, the Adviser will not actively manage the Account but instead will track an underlying index. In such scenarios, the Adviser does not attempt to take defensive positions under any market conditions, including declining markets. Therefore, the Adviser would not necessarily buy or sell a security unless that security is added or removed, respectively, from the underlying index, even if that security generally is underperforming.

Portfolio Turnover – The portfolio turnover rate in certain Accounts may exceed 100% per year because of the anticipated use of certain investment strategies. Other Accounts may experience greater turnover rates due to rebalancing services provided by an Adviser’s electronic advisory program. Such frequent trading may affect the Account’s investment performance, particularly through increased brokerage and other transaction costs and taxes.

Prepayment – An issuer of debt securities may make unscheduled prepayments of principal, which means the holder of those debt securities loses anticipated interest. Prepayments generally increase when interest rates fall for fixed-rate investments, and when interest rates rise for floating or variable rate securities.

Private Investments in Public Equities (“PIPEs”) – Accounts investing in PIPE transactions invest money in public corporations in exchange for shares of the company, usually unregistered under the Securities Act. Often, warrants will be utilized to provide greater upside potential.

Quantitative Model Risk – When executing an investment strategy using various proprietary quantitative or investment models, securities or other financial instruments selected can perform differently than expected, or from the market as a whole, as a result of a model's component factors, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction, implementation and maintenance of the models (e.g., data problems, software issues, etc.). A model's assumptions or its data inputs may be inaccurate from the outset or may become inaccurate as a result of many factors, such as changes in market structure, increased government intervention in markets or growth in assets managed in accordance with similar investment strategies. Moreover, the use of computers in collating information or developing and operating a quantitative or investment model does not assure the success of the model because a computer is merely an aid in compiling and organizing trade information. Accordingly, there can be no assurance that a model will achieve its objective.

Real Estate Securities – Real estate values rise and fall in response to a variety of factors, including local, regional and national economic conditions, interest rates, tax and insurance considerations, changes in zoning laws, environmental regulations or hazards, or overbuilding, increases in property taxes and operating expenses or value decline in a neighborhood. When economic growth is slow, demand for property decreases and prices may decline.

Relative Value Strategies – While certain Advisers may use "market neutral" or "relative value" hedging or arbitrage strategies, this nomenclature in no respect should be taken to imply that an Account's investments will be without risk. Substantial losses may be recognized on "hedge" or "arbitrage" positions, and illiquidity and default on one side of a position can effectively result in the position being transformed into an outright speculation. Every market neutral or relative value strategy involves exposure to some second-order risk of the market, such as the implied volatility in convertible bonds or warrants, the yield spread between similar term government bonds, or the price spread between different classes of stock for the same underlying firm.

REITs – The performance of a Real Estate Investment Trust ("**REIT**") depends on the types, values and locations of the properties it owns and how well those properties are managed. A decline in rental income may occur because of extended vacancies, increased competition from other properties, tenants' failure to pay rent or poor management. Because a REIT may be invested in a limited number of projects or in a particular market segment, it may be more susceptible to adverse developments affecting a single project or market segment than more broadly diversified investments. Loss of status as a qualified REIT under the U.S. federal tax laws could adversely affect the value of a particular REIT or the market for REITs as a whole.

Risk of Loss – All investments involve the risk of the loss of capital. No guarantee or representation is made that any Account will achieve its investment objective or avoid losses. While each Account has its own investment objectives and strategies, there are risks associated with investing in general.

Repurchase/Reverse Repurchase Agreements – A repurchase agreement involves selling a security at one price and simultaneously agreeing to buy it back at a fixed price. A reverse repurchase agreement involves buying a security at one price and simultaneously agreeing to sell it back at a higher price. These transactions may increase the volatility of an Account's income or net asset value. Additionally, a loss may occur in either transaction if the other party to the agreement becomes insolvent. The value of the purchased securities may drop or the value of the sold securities may rise between the time the other party becomes insolvent and the time of recovering the investment. This risk is generally mitigated by holding enough of the other party's securities or cash as collateral to cover its commitments in the agreements. An event of default by the counterparty may make it necessary to incur expenses to liquidate this collateral, and the collateral may decline in value before it can be liquidated.

Risk Premia Investing – The Advisers may directly implement or allocate a portion of an Account's assets to risk premia strategies. Risk premia investing seeks to access investable systematic strategies that have low correlation to traditional beta investments. These "alternative beta" strategies are designed to be liquid and transparent, and potentially offer an alternative source of return to complement a traditional asset class range. The risk premia strategy may be implemented through derivative instruments, including, among others, OTC derivatives such as total return swaps or structured notes. Thus, this strategy presents, among others, the risks associated with derivatives instruments and OTC transactions described above. Derivatives instruments may

involve leverage which may magnify or otherwise increase investment losses. The ability of this strategy to achieve its investment objectives is dependent upon the Advisers' evaluation of risks, potential returns and correlations between risk premia and other investments. There is a risk that the returns provided by individual risk premia transactions may be subject to higher than expected volatility and may be more correlated to equities or bonds than anticipated. In addition, this strategy relies on quantitative models (both proprietary models and those supplied by third parties) and information and data supplied by third parties. When models and data prove to be incorrect or incomplete, any decisions made in reliance thereon would expose this strategy to potential risks. All models rely on correct market data inputs. If incorrect market data is entered into even a well-founded model, the resulting information will be incorrect.

Securities Lending – To generate additional income, the Adviser may lend certain of an Account's portfolio securities to qualified borrowers, including banks and broker-dealers, in exchange for cash collateral at least equal to the value of the security loaned that may then be invested while the loan is outstanding. If the borrower defaults on its obligation to return the securities loaned because of insolvency or other reasons, there could be delays and costs in recovering the securities loaned or in gaining access to the collateral. These delays and costs could be greater for foreign securities. If the Adviser is not able to recover the securities loaned, it may sell the collateral and purchase a replacement investment in the market. Additional transaction costs would result, and the value of the collateral could decrease below the value of the replacement investment by the time the replacement investment is purchased. Until the replacement can be purchased, the Account will not have the desired level of exposure to the security which the borrower failed to return. Cash received as collateral through loan transactions may be invested in other eligible securities, including shares of a money market fund. Investing this cash creates additional market risk, including losses on the collateral and, should the Adviser need to look to the collateral in the event of the borrower's default, losses on the loan secured by that collateral.

Short Selling Risk – A short sale is where an Account borrows securities from a lender and sells them in the open market. The Account must repurchase the securities at a later date in order to return them to the lender. In the interim, the proceeds from the short sale are deposited with the lender and the Account pays interest to the lender on the borrowed securities. If the value of the securities declines between the time of the initial short sale and the time it repurchases and returns the securities, the Account makes a profit for the difference (less any interest paid to the lender). If the price of the borrowed securities rises, however, a loss results. There are risks associated with short selling, namely, that the borrowed securities will rise in value or not decline enough to cover the borrowing costs. Any loss on short positions may or may not be offset by investing short sale proceeds in other investments. In addition, the Account may experience difficulties in repurchasing the borrowed securities if a liquid market for the securities does not exist. The lender from whom the securities have been borrowed may also become bankrupt, causing the borrowing Account to lose the collateral it deposited with the lender.

Small and Midsize Capitalization Companies – Securities issued by small and midsize capitalization companies may be more volatile in price than those of larger capitalization companies and involve substantial risks. Such risks may include greater sensitivity to economic conditions, less certain growth prospects, lack of depth of management and funds for growth and development and limited or less developed product lines and markets. In addition, small and midsize capitalization companies may be particularly affected by interest rate increases, as they may find it more difficult to borrow money to continue or expand operations, or may have difficulty in repaying any loans.

Sovereign Debt Securities – Sovereign debt securities are subject to various risks in addition to those relating to debt securities and non-U.S. securities generally, including, but not limited to, the risk that a governmental entity may be unwilling or unable to pay interest and repay principal on its sovereign debt, or otherwise meet its obligations when due because of cash flow problems, insufficient foreign reserves, the relative size of the debt service burden to the economy as a whole, the government's policy towards principal international lenders such as the International Monetary Fund, or the political considerations to which the government may be subject. If a sovereign debtor defaults (or threatens to default) on its sovereign debt obligations, the indebtedness may be restructured. Some sovereign debtors have in the past been able to restructure their debt payments without the approval of some or all debt holders or to declare moratoria on payments. In

the event of a default on sovereign debt, there may also be limited legal recourse against the defaulting government entity.

State and U.S. Territories – Certain Accounts may directly or indirectly invest predominantly in state-specific municipal securities, in which case, events in that specific state are likely to affect the Account's investments and its performance by increasing price volatility, market yield and taxes owed on income earned. These events may include economic or political policy changes, tax base erosion, state constitutional limits on tax increases, budget deficits and other financial difficulties, and changes in the credit ratings assigned to municipal issuers of that state.

Swaps – Certain Advisers enter into swap contracts for certain Accounts, including but not limited to, total return, interest rate, basis, currency, credit default, and inflation. These Advisers may enter into swaps for speculative or hedging purposes and therefore may increase or decrease exposure to the underlying instrument, and these Advisers utilize swaps for certain Accounts where it believes such investments will further the Account's objectives. Notional amounts of swap transactions are not subject to any limitations, and swap contracts may expose an Account to unlimited risk of loss. Swaps may be used as an alternative to futures contracts. To the extent an Account directly or indirectly invests in repos, swaps, forwards, futures, options and other "synthetic" or derivative instruments, the Account would be subject to counterparty risk. In addition, certain Advisers may enter into swaps on securities, baskets of securities or securities indices and they may use such swaps to gain investment exposure to the underlying security or securities where direct ownership is either not legally possible or is economically unattractive. Certain Advisers may enter into swaps to modify an Account's exposure to particular currencies using currency swaps.

Tracking Error and ETF Management Risk – ETFs trade like stocks, fluctuate in market value and may trade at prices above or below the ETF's net asset value. ETF shares may be bought or sold throughout the day at their market price on the exchange on which they are listed. However, there can be no guarantee that an active trading market for ETF shares will develop or be maintained, or that their listing will continue or remain unchanged. While the shares of ETFs are tradable on secondary markets, they may not readily trade in all market conditions and may trade at significant discounts due to market forces. Certain ETFs are designed to track a specified market index; however, in some cases an ETF's return may deviate from the specified index. Other ETFs are actively managed and are therefore subject to management risk. Furthermore, unlike traditional open-end funds, investors generally cannot purchase ETF shares from, or redeem ETF shares with, the ETF sponsor. Rather, only specified large blocks of ETF shares called "creation units" can be purchased from, or redeemed with, the ETF sponsor. For more information on any ETF, investors should carefully consider the ETF's investment goals, risks, sales charges and expenses before investing. An ETF's prospectus contains this and other information.

Unlisted Securities – Unlisted securities (*i.e.*, securities not listed on a stock exchange or other markets and for which no liquid secondary trading market exists) may involve a high degree of business and financial risk and may result in substantial losses. The companies underlying such securities may have relatively limited operating and profit histories. Many of these companies may also need substantial additional capital to support expansion or to achieve or maintain a competitive position and there is no assurance that capital will be available to finance such needs. In the absence of a liquid trading market for unlisted securities, they will be difficult to value. It is also possible that such investments will be difficult to liquidate when desired, which may limit the ability to realize their full value. Although it is generally desirable that unlisted securities become listed in due course, there can be no assurance that this will be the case, or that sufficient liquidity for substantial shareholdings will be available following listing. Additionally, companies whose securities are not publicly traded generally are not subject to the same disclosure and investor protection requirements that apply to publicly-traded companies. As a consequence, the information available to security holders of such companies about their business models, quality of management, earnings growth potential, and other criteria that are normally considered when evaluating the investment prospects of such companies may be less complete and less reliable than would be the case with a publicly-traded company.

Valuation Risk – An Account may directly or indirectly invest in securities for which reliable market quotations are not available. The process of valuing such securities is based on inherent uncertainties, and the resulting values may differ from values that would have been determined

had readily available market quotations been available. As a result, the values placed on such securities by the Advisers may differ from values placed on such securities by other investors or a client's custodian and from prices at which such securities may ultimately be sold. Where appropriate, third-party pricing information, which may be indicative of, or used as an input in determining, fair value may be used, but such information may at times not be available regarding certain assets or, if available, may not be considered reliable. Even if considered reliable, such third-party information might not ultimately reflect the price obtained for that security in a market transaction, which could be higher or lower than the third-party pricing information. In addition, an Account may rely on various third-party sources to calculate its market value. As a result, the Account is subject to certain operational risks associated with reliance on service providers and service providers' data sources.

Value Style Investing – A value stock may not increase in price as anticipated by the Advisers, and may even decline in value, if other investors fail to recognize the company's value and do not become buyers (or they become sellers), the markets favor faster-growing companies, or the factors that the Advisers believe will increase the price of the security do not occur.

Variable Rate Securities – Variable rate securities generally are less price sensitive to interest rate changes than fixed rate debt securities. However, the market value of variable rate debt securities may decline or not appreciate as quickly as expected when prevailing interest rates rise if the interest rates of the variable rate securities do not rise as much, or as quickly, as interest rates in general. Conversely, variable rate securities will not generally increase in market value if interest rates decline. When interest rates fall, there may be a reduction in the payments of interest received by an Account from its variable rate securities.

Item 9 Disciplinary Information

None unless otherwise noted in an Adviser's Appendix.

Item 10 Other Financial Industry Activities and Affiliations

The Advisers are wholly-owned subsidiaries (whether directly or indirectly) of Franklin Resources, a holding company with its various subsidiaries that operates under the Franklin Templeton and/or subsidiary brand names.

The Advisers have certain business arrangements with related persons/companies that are material to the Advisers' advisory business or to their clients, including those described in this Item 10 ("Other Financial Industry Activities and Affiliations"). In some cases, these business arrangements will, from time to time, create a potential conflict of interest, or appearance of a conflict of interest between the Advisers and a client. Please see Item 4 ("Advisory Business") for additional information on services of affiliates.

Recognized conflicts of interest are discussed in Item 6 ("Performance-Based Fees and Side-By-Side Management") above and Item 11 ("Code of Ethics, Participation or Interest in Client Transactions and Personal Trading") and Item 12 ("Brokerage Practices") below.

The Advisers have arrangements with one or more of the following types of related persons that may be considered material to their advisory business or to their clients.

RELATED BROKER-DEALERS

The Advisers are under common control with Franklin/Templeton Distributors, Inc. ("**FTDI**"), Franklin Templeton Financial Services Corp. ("**FTFSC**"), Templeton/Franklin Investment Services, Inc. ("**TFIS**"), Legg Mason Investor Services, LLC ("**LMIS**"), Royce Fund Services, LLC ("**RFS**") and Clarion Partners Securities, LLC ("**CPS**"), all of which are SEC registered broker-dealers and are members of the Financial Industry Regulatory Authority ("**FINRA**").

FTDI's primary business is being the underwriter and distributor for the U.S. Registered Funds, including the Franklin Templeton ETFs. Most of its distribution activities occur through independent third-party broker-dealers, who have the primary day-to-day direct contact with shareholders. FTDI is also the underwriter of the Franklin Templeton 529 College Savings Plan and the NJBEST 529 College Savings Plan (collectively, "**529 Plans**"). In addition, FTDI acts as program manager and distributor for the two 529 Plans, which are municipal fund securities as defined under Rule D-12 of the Municipal Securities Rulemaking Board ("**MSRB**") rule book. As a result, FTDI is registered

as a municipal securities dealer, subject to regulation by the MSRB. In certain instances, shareholders establish unsolicited accounts directly with FTDI, which becomes the broker-dealer of record by default. FTDI does not make recommendations to purchase or sell fund shares to retail investors.

Underwriting and distribution fees are earned primarily by distributing funds pursuant to distribution agreements between FTDI and the funds. Under each distribution agreement, the fund's shares are offered and sold on a continuous basis and certain costs associated with underwriting and distributing the fund's shares may be incurred, including the costs of developing and producing sales literature, shareholder reports and prospectuses.

FTFSC, in conjunction with other investment advisory affiliates, provides placement and distribution services to Private Funds. As such, FTFSC personnel are also associated with certain Advisers so that they may utilize FTFSC's services when offering private placement and mutual fund securities products to their clients. FTFSC is also registered with the Commodity Futures Trading Commission ("**CFTC**") as an introducing broker and is a member of the National Futures Association ("**NFA**").

TFIS offers fund products that are sold outside of the United States, including those that are similar to U.S. Registered Funds. Many of TFIS' registered associated persons are also dually registered with FTDI to support joint program initiatives, such as marketing U.S. mutual fund products. TFIS also has some dually registered associated persons with FTFSC.

LMIS is registered as a limited purpose broker-dealer. Its primary purpose is to act as the principal underwriter of several fund families sponsored by Franklin Templeton and its affiliates and to market retail separate account products to the financial institutions that sponsor wrap programs.

RFS is the distributor of The Royce Fund and Royce Capital Fund, two open-end U.S. registered management investment companies with 13 separate series between them. RFS is also a wholly-owned subsidiary of Royce & Associates LP, a subsidiary of Franklin Resources, and may provide solicitation and other related services for one or more of Royce's privately offered accounts. RFS does not execute any securities transactions for client portfolios.

CPS is wholly owned by Clarion Partners, LLC, a subsidiary of Franklin Resources ("**Clarion Partners**"), and provides distribution services with respect to the private funds sponsored and advised by Clarion Partners. CPS does not hold client accounts or take in investor monies. CPS does not provide brokerage services in connection with transactions involving securities.

In addition, certain of the Advisers' employees are registered representatives of FTDI and/or FTFSC. Please see Item 11 ("Code of Ethics, Participation or Interest in Client Transactions and Personal Trading") for a discussion of the associated conflicts.

In addition to the above, certain non-U.S. affiliates of the Advisers act as placement agents with respect to the distribution of certain Private Funds to Private Fund Investors outside the United States.

U.S. REGISTERED FUNDS

Certain Advisers serve as investment adviser to one or more U.S. Registered Funds, as described in such Advisers' Appendix.

RELATED INVESTMENT ADVISERS

The Advisers will, under certain circumstances, enter into a sub-advisory arrangement with, or refer a client to, an investment adviser affiliate capable of meeting the client's specific investment needs. One or more of these affiliated investment advisers may be serving as a commodity trading advisor ("**CTA**") and/or a commodity pool operator ("**CPO**") that is either registered or exempt from registration with the CFTC. The Advisers are affiliated with each other through the common control of Franklin Resources, and certain Advisers share certain supervised persons, portfolio management personnel and investment research with each other.

The Advisers will, from time to time, use the services of appropriate personnel of one or more of their affiliates for investment advice, portfolio execution and trading, and client servicing in their local or regional markets or their areas of special expertise, except to the extent restricted by the client or pursuant to its investment management agreement, or inconsistent with applicable law. In carrying out the requested services for an Adviser, portfolio management personnel of the Adviser's affiliates will,

from time to time, recommend to, or invest on behalf of, the affiliates' clients in securities that are the subject of recommendations to, or discretionary trading on behalf of, the Adviser's clients. Arrangements among affiliates take a variety of forms, including delegation arrangements, formal sub-advisory agreements or servicing agreements. In these circumstances, the client with whom an Adviser has executed the investment management agreement will typically require that the Adviser remain fully responsible for the Account from a legal and contractual perspective. No additional fees are charged for the affiliates' services except as disclosed in the investment management agreement or Fund offering documents. These relationships will, from time to time, present potential conflicts of interest relating to the Advisers' activities. Please see Item 6 ("Performance-Based Fees and Side-By-Side Management") and Item 11 ("Code of Ethics, Participation or Interest in Client Transactions and Personal Trading") for additional information.

PRIVATE FUNDS

For the Advisers who manage Private Funds, these funds are typically structured as U.S. and/or non-U.S. limited partnerships, limited liability companies, collective investment trusts and/or exempted companies in order to meet the legal, regulatory and tax demands of Private Fund Investors. An Adviser or an affiliate thereof typically acts as general partner, managing member, trustee, investment manager and/or otherwise exercises investment discretion with respect to these Private Funds in which investors are solicited to invest. Entities affiliated with the Advisers will also, from time to time, invest in and/or provide services other than advice (including, but not limited to, administration, organizing and managing business affairs, executing and reconciling trades, preparing financial statements and providing audit support, preparing tax-related schedules or documents, sales and investor relations support, diligence and valuation services) to such Private Funds, in some cases for a fee separate and apart from the advisory fee. Franklin Templeton's personnel, including employees of the Advisers, usually also serve on the board of directors of certain Private Funds. A Private Fund will typically pay or reimburse the Advisers or their affiliates for certain organizational and initial offering expenses related to the Private Fund. Further information can be found in the PPM or other offering documents for each Private Fund.

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

CODE OF ETHICS SUMMARY

Franklin Resources has adopted a code of ethics and business conduct (the "**Code of Ethics**"), which is applicable to all officers, directors, and employees of Franklin Resources and its U.S. and non-U.S. subsidiaries and affiliates, including the Advisers. The Advisers are also subject to a personal investments and insider trading policy (the "**Personal Investments Policy**"), which serves as a code of ethics adopted by Franklin Templeton pursuant to Rule 204A-1 under the Advisers Act and Rule 17j-1 of the 1940 Act. A brief description of the main provisions of the Personal Investments Policy follows.

The Personal Investments Policy states that the interests of the Advisers' clients are paramount and come before any employee. All Covered Employees (as defined below) are required to conduct themselves in a lawful, honest and ethical manner in their business practices and to maintain an environment that fosters fairness, respect and integrity.

"**Covered Employees**" include the Advisers' partners, officers, directors (or other persons occupying a similar status or performing similar functions), and employees, as well as any other person who provides advice on behalf of the Advisers and are subject to the supervision and control of the Advisers. The personal investing activities of Covered Employees must be conducted in a manner that avoids actual or potential conflicts of interest with the clients of the Advisers. Covered Employees are required to use their positions with the Advisers and any investment opportunities they learn of because of their positions with the Advisers in a manner consistent with their fiduciary duties to use such opportunities and information for the benefit of the Advisers' clients and with applicable laws, rules and regulations. In addition, the Personal Investments Policy states that information concerning the security holdings and financial circumstances of the Advisers' clients is confidential and Covered Employees are required to safeguard this information.

Additionally, Access Persons, a subset of Covered Employees, are required to provide certain periodic reports on their personal securities transactions and holdings. "**Access Persons**" are

those persons who have access to non-public information regarding the securities transactions of the Advisers' funds or clients; are involved in making securities recommendations to clients; have access to securities recommendations that are non-public; or have access to non-public information regarding the portfolio holdings of funds for which an Adviser serves as an investment adviser or a sub-adviser or any fund whose investment adviser or principal underwriter controls an Adviser, is controlled by an Adviser or is under common control with an Adviser. The Advisers' Access Persons must obtain pre-clearance from the Compliance Department before buying or selling any security (other than those not requiring pre-clearance under the Personal Investments Policy). The Personal Investments Policy also requires pre-clearance before investing in a private investment or purchasing securities in a limited offering. The Personal Investments Policy generally prohibits Access Persons from investing in initial public offerings ("IPOs"); however, such investments may be permissible in certain circumstances or jurisdictions with prior approval from the Compliance Department.

To avoid actual or potential conflicts of interest with the Advisers' clients, certain transactions and practices are prohibited by the Personal Investments Policy. These include: front-running, trading parallel to a client, trading against a client, using proprietary information for personal transactions, market timing, and short selling Franklin Resources stock and the securities of Franklin Templeton closed-end funds.

The Personal Investments Policy requires prompt internal reporting of suspected and actual violations of the Personal Investments Policy. In addition, violations of the Personal Investments Policy are referred to the Director of Global Compliance and/or the Chief Compliance Officer as well as the relevant management personnel.

The Advisers maintain a "restricted list" of securities in which the Advisers' personnel generally may not trade. The restricted list is updated as necessary and is intended to prevent the misuse of material, non-public information by their employees. In addition to continuous monitoring, the Compliance Department will conduct forensic testing or auditing of reported personal securities transactions to ensure compliance with the Personal Investments Policy.

No Covered Employee or Access Person may trade while in possession of material, non-public information ("MNPI") or communicate MNPI to others.

Information is considered material if there is a substantial likelihood that a reasonable investor would consider the information to be important in making his or her investment decision, or if it is reasonably certain to have a substantial effect on the price of the company's securities. Information is non-public until it has been effectively communicated to the marketplace. If the information has been obtained from someone who is betraying an obligation not to share the information (e.g., a company insider), that information is very likely to be non-public.

The Advisers have implemented a substantial set of personal investing procedures designed to avoid violation of the Personal Investments Policy.

Copies of the Personal Investments Policy are available to any client or prospective client upon request by emailing GCSS at GlobalClientServiceSupportAmericas@franklintempleton.com or, with respect to the K2 Advisers, by contacting the K2 Investor Relations Group at K2InvestorRelations@franklintempleton.com.

POTENTIAL CONFLICTS RELATING TO ADVISORY AND OTHER ACTIVITIES

The Advisers and their affiliates engage in a broad range of activities, including investment activities for their own account and for the accounts of others and providing transaction-related, investment advisory, management and other services. In addition, while the Advisers are typically not themselves a general partner of any limited partnership, one or more of their affiliates often serve as a manager, general partner or trustee or in a similar capacity of a partnership, trust or other collective investment vehicle in which the Advisers' clients are solicited to invest. In the ordinary course of an Adviser conducting its activities for a client, the interests of a client will, from time to time, conflict with the interests of the Adviser, other clients and/or their respective affiliates. Potential or actual conflicts of interest arise, from time to time, in (i) principal transactions, (ii) cross trades, (iii) investments by the Advisers or their employees for their personal accounts, (iv) client investment in entities affiliated with an Adviser or in which an Adviser or an affiliate has an interest, (v) allocation of investment opportunities and expenses, (vi) diverse membership among investors

in a client Account, and (vii) diversity of client base, among others. In addition, while the Advisers are part of the Franklin Templeton organization, the Advisers have their own clients. Although an Adviser may focus primarily on an investment strategy different from other Advisers, clients of the Adviser and such other Advisers will, from time to time, invest in the same company or issuer, including in the same security or in different securities of such company or issuer. In such circumstances, interests of the Adviser's clients will, at times, therefore conflict with the interests of the clients of the other Advisers. In addition, the interests of and between the Advisers themselves will at times be in conflict. These and other conflicts of interest are more fully described below.

The Advisers manage assets of clients in accordance with the investment mandate selected by the clients and applicable law and will seek to give advice to, and make investment decisions for, such clients that the Advisers reasonably believe to be in the best interests of such clients. The Advisers have implemented policies and procedures that are reasonably designed to appropriately identify, disclose, limit and/or mitigate conflicts of interest. Additional limits and mitigants of conflicts are identified below. Any review of a conflict of interest will take into consideration the interests of the relevant Accounts, the circumstances giving rise to the conflict, applicable policies and procedures of the Advisers, and applicable laws.

The following discussion is not a complete list of conflicts to which the Advisers or clients are subject. In addition, other conflicts are discussed elsewhere in this brochure and the Advisers' Appendices.

Principal Transactions

From time to time the Advisers may recommend, to the extent permitted by law, that clients buy an asset from, or sell an asset to, the Advisers or their affiliates. These transactions involving the purchase and sale of assets are commonly referred to as "principal transactions." A principal transaction may also be deemed to occur if an Adviser and/or an affiliate owns a substantial portion of a Fund and that Fund participates in a transaction with another client. Principal transactions present an inherent conflict of interest because an Adviser and/or one or more of its affiliates are on both sides of such transactions. To the extent that an Adviser engages in a principal transaction covered by Section 206(3) of the Advisers Act, the Adviser will comply with the requirements of Section 206(3) of the Advisers Act, including that the Adviser will notify the applicable client (or an independent representative thereof) in writing of the transaction and obtain the client's consent (or the consent of an independent representative thereof). The Advisers seek to alleviate the conflict of interest posed by principal transactions with procedures requiring pre-clearance of any principal transaction by the Compliance Department and ensuring requisite client consent has been received.

On occasion and subject to applicable law and a Private Fund's governing documents, an Adviser that advises a Private Fund or a related person (including the Adviser's affiliates, officers, directors or employees) may purchase investments on behalf of and in anticipation of opening a Private Fund that will hold such investment. Such investments are typically then transferred to the Private Fund.

Cross Trades

In certain circumstances, the Advisers will conclude that it is appropriate to sell securities held in one Account to another Account, including, from time to time, between client accounts established under SMA Programs. Consistent with its fiduciary duty to each client (including the duty to seek best execution), an Adviser will, from time to time, (but is not required to) effect purchases and sales between clients or clients of affiliates ("**cross trades**") if the Adviser believes such transactions are appropriate based on each client's investment objectives, subject to applicable law and regulation. For example, certain Private Funds are intended to generally invest on a "parallel" basis with each other (*i.e.*, proportionately in all transactions at substantially the same time and on substantially the same terms and conditions). These Private Funds will therefore, from time to time, engage in transactions at the end of the offering period that are intended to rebalance the portfolio in accordance with the final size and/or available capital of each respective entity. Advisers to Fund of Funds will from time to time also engage in such transactions when they wish to reduce the investment of one or more Fund of Funds in an underlying fund and increase the investment of other Fund of Funds in such underlying fund, in order to re-balance portfolios, provide better liquidity to the Fund of Funds involved, or, when appropriate for both Fund of Funds involved,

to allocate de minimis underlying fund allocations from a large Fund of Funds to another smaller Fund of Funds.

In a cross trade, an Adviser has a conflict of interest because the Adviser and/or one or more of its affiliates represent the interests of both the selling party and the buying party in the same transaction. As a result, Accounts for whom the Advisers execute cross trades bear the risk that one or more other Accounts in the cross trade will be treated more favorably, particularly in cases where such other Accounts pay a higher management or performance-based fee or incentive allocation. The Advisers have established certain policies and procedures as they relate to cross trades, under which certain cross trades are permitted when it is in the best interest of each Account. Cross trades also pose a risk that the price of a security or other instrument bought or sold through a cross trade will not be as favorable as it might have been had the trade been executed in the open market or that an Account receives a security that is difficult to dispose of in a market transaction. The Advisers seek to ensure that the price paid or amount received by a client in a cross trade is fair and appropriate, which is sometimes based on independent dealer quotes or information obtained from recognized pricing services. For example, Accounts employing a municipal bond strategy will, from time to time, use an independent pricing provider to determine the price used in a cross trade between such Accounts. Moreover, absent certain circumstances, if the Advisers are unable to obtain sufficient price quotes or otherwise determine the security is illiquid, then the cross trade would not be executed. In addition, the Advisers will not receive compensation (other than their normal advisory fee for managing the Account), directly or indirectly, for effecting a cross trade between advisory clients, and accordingly will not be deemed to have acted as a broker with respect to such transactions. Any cross trades effected with respect to U.S. Registered Funds are subject to Rule 17a-7 under the 1940 Act. Please also see Item 6 (“Performance-Based Fees and Side-by-Side Management”) for additional information.

Personal Trading

Management of personal accounts by a portfolio manager or other investment professionals will, from time to time, give rise to potential conflicts of interest. The Advisers have adopted the Personal Investments Policy, which they believe contains provisions reasonably designed to prevent a wide range of prohibited activities by portfolio managers and others with respect to their personal trading activities, as well as certain additional compliance procedures that are designed to address these and other types of conflicts. However, there is no guarantee that the Personal Investment Policy or such additional compliance procedures will detect and/or address all situations where an actual or potential conflict arises.

Conflicts Related to Investments in Securities of Companies in Which an Adviser, an Affiliate or another Account Holds Interests

The Advisers will, from time to time, recommend to clients, or buy or sell for Accounts, securities in which the Advisers or their affiliates have a material financial interest. Such financial interests include, among other things, seed capital contributed by an Adviser or an affiliate to a Fund that such Adviser manages, or an actual investment by an Adviser or an affiliate in the Fund or in third-party vehicles in which the Adviser or a related person has a financial interest. The Advisers or their related persons may also purchase or sell for themselves securities or other investments that one or more advisory clients own, previously owned, or may own in the future, subject to the Personal Investments Policy, other policies and procedures of the Advisers, and applicable law.

Under certain circumstances and to the extent permitted by applicable law, certain Accounts will invest directly or indirectly in the securities of companies in which a related person of the Adviser, for itself or its clients, has an equity, debt, or other interest. For example, an Adviser’s affiliate may have contributed seed capital to a Private Fund that the Adviser concludes should co-invest in the same company with another Private Fund or Separate Account managed by the Adviser. In addition, an affiliate or a related person of an Adviser may make a strategic investment in a company (such as a company in the financial technology industry) that an Adviser separately determines is a prudent investment for an Account to make. Accordingly, an Adviser’s management of its client’s assets will, in certain circumstances, benefit the interests of members of the Adviser and/or its affiliates.

With respect to a particular Account, the Advisers are not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling any security that the Advisers and “access

persons,” as defined by applicable federal securities laws, may buy or sell for their own account or for the accounts of any other fund. Additionally, the Advisers are permitted to invest in securities held by any Accounts they manage, subject to applicable policies and procedures adopted by the Advisers and applicable law.

Conflicts Related to Investing Alongside Other Accounts

Under certain circumstances, an Account will make an investment in which one or more other Accounts are expected to participate, or already have made, or will seek to make, an investment in the same security. Such Accounts may have conflicting interests and objectives in connection with such investments, including with respect to views on the operations or activities of the issuer involved, the targeted returns from the investment and the timeframe for, and method of, exiting the investment. When making such investments, an Adviser may do so in a way that favors one Account over another Account, even if both Accounts are investing in the same security at the same time. For example, if two Accounts have different time horizons, and the Account with a shorter time horizon sells its interest first, this sale could affect the value of the investment in the company held by the Account with the longer time horizon. There will also be cases where Accounts (typically, certain Private Funds) invest on a “parallel” basis (*i.e.*, proportionately in all transactions at substantially the same time and on substantially the same terms and conditions).

The Advisers have no obligation to provide the same investment advice or to purchase or sell the same securities for each Account. Differing facts and circumstances among Accounts will, from time to time, result in an Adviser and one or more of its related persons giving advice and taking action with respect to one Account they manage, or for their own account, that differs from action taken on behalf of other Accounts they manage. However, such differing actions are subject to applicable policies and procedures adopted by the Advisers and are guided by the Advisers’ fiduciary duties to act in each account’s best interests. For example, in certain circumstances, clients will seek take an opposite investment position (*e.g.*, a long position versus a short position) in the same security held by other clients (or proprietary accounts), but policies and procedures of the Advisers’ prohibit such opposite positions in certain circumstances.

Certain Advisers serve as sub-adviser to various Sub-Advised Accounts, some of which have an investment goal and strategy similar to that of other types of client Accounts for which such Advisers serve as investment adviser. Even when there is similarity in investment goal and strategy, investment performance and portfolio holdings may vary between these Accounts, potentially significantly, as a result of, among other things, differences in: (i) inception dates, (ii) cash flows, (iii) asset allocation, (iv) security selection, (v) liquidity, (vi) income distribution or income retention, (vii) fees, (viii) fair value pricing procedures, (ix) diversification methodology, (x) use of different foreign exchange rates, (xi) use of different pricing vendors, (xii) ability to access certain markets due to country registration requirements, (xiii) legal restrictions or custodial issues, (xiv) legacy holdings in the fund, (xv) availability of applicable trading agreements such as ISDAs, (xvi) futures agreements or other trading documentation, (xvii) restrictions placed on the account (including country, industry or environmental and social governance restrictions) and (xviii) other operational issues that impact the ability of a fund to trade in certain instruments or markets.

Please see Item 6 (“Performance-Based Fees and Side-By-Side Management”) for additional information regarding conflicts related to side-by-side management of different Accounts.

Conflicts Related to Investing in Different Levels of the Capital Structure

Potential conflicts exist in certain uses of multiple strategies by an Adviser. For example, conflicts will arise in cases where different Accounts invest in different parts of an issuer’s capital structure, including circumstances in which one or more Accounts own private securities or obligations of an issuer and one or more other Accounts own or seek to acquire securities of the same issuer. For instance, an Account may acquire a loan, loan participation or a loan assignment of a particular borrower in which one or more other Accounts have an equity investment, or may invest in senior debt obligations of an issuer for one Account and junior debt obligations or equity of the same issuer for another Account. In such and other similar situations, an Adviser may take actions with respect to the assets held by one Account that are adverse to the other Accounts, for example, by foreclosing on loans, disposing of equity, or by exercising rights to purchase or sell to an issuer, causing an issuer to take actions adverse to certain classes of securities. In these situations, decisions over items such as whether to make the investment, exercise certain rights, or take or

determine not to take an action, proxy voting, corporate reorganization, how to exit an investment, bankruptcy or similar matters (including, for example, whether to trigger an event of default or the terms of any workout) will result in conflicts of interest.

Conflicts Related to Use of Information

The Advisers receive and generate various kinds of portfolio company data and other information, including those related to financial, industry, market, business operations, trends, budgets, customers, suppliers, competitors and other metrics. This information may, in certain instances, include MNPI received or generated in connection with efforts on behalf of an Account's investment (or prospective investment) to better enable the Adviser to anticipate macroeconomic and other trends, and otherwise develop investment strategies. Information barriers and/or confidentiality or similar arrangements entered into by an Adviser with companies or other sources of information will limit such Adviser's ability to internally share and use such information. The Advisers rely on these barriers in some instances to mitigate potential conflicts of interest, to preserve confidential information and to prevent the inappropriate flow of MNPI and confidential information. When not limited from using this information, the Advisers are likely in certain instances to use such information in a manner that could provide a material benefit to certain other Accounts (or the Advisers and/or their affiliates) without equally benefiting the Account(s) from which such information was obtained. In addition, the Advisers have an incentive to pursue investments in companies based on the data and information expected to be received or generated by such companies. Subject to applicable law and confidentiality obligations, the Advisers have in the past and are likely in the future to utilize such information to benefit certain Accounts (or the Advisers and/or their affiliates) in a manner that may otherwise present a conflict of interest.

Conflicts Related to Investment in Affiliated Funds and Affiliated Accounts

An Adviser, where appropriate (including in compliance with any applicable investment guidelines or restrictions) and in accordance with applicable laws and regulations, will at times purchase on behalf of the Adviser's clients, or recommend to the Adviser's clients that they purchase, shares of Affiliated Funds, or invest their assets in other portfolios managed by the Advisers or their affiliates ("**Affiliated Accounts**"). Conflicts of interest arise when investing a client's assets into Affiliated Funds or Affiliated Accounts. For example, as a shareholder in a pooled investment vehicle, a client will generally pay a proportionate share of the vehicle's fees and expenses. Investment by a client in an Affiliated Fund or Affiliated Account could therefore result in the client, depending on the circumstances and subject to applicable law, directly or indirectly paying advisory (or other) fees to the Affiliated Fund or Affiliated Account in addition to any fees it pays to the Adviser for managing the client's Account. Moreover, in certain circumstances, the Adviser will receive some or all of such advisory (or other) fees from an affiliate, including on occasion via a fee sharing or referral arrangement. The client investment will also, from time to time, be subject to other fees and expenses charged to the Affiliated Fund or Affiliated Account by other parties. Similarly, an Adviser's client who invests into an Affiliated Account that is a Separate Account managed by another Adviser would be subject to any advisory fees charged by that Adviser to the Separate Account. If a client does not want its Account assets to be invested in Affiliated Funds and/or Affiliated Accounts, then the client should notify its Adviser to discuss modifying its investment guidelines. The Advisers' Separate Account clients are also permitted to invest directly in certain Affiliated Funds (including U.S. Registered Funds) or Affiliated Accounts independent of their Separate Account without paying additional Separate Account management fees to the Advisers.

In order to avoid duplication of fees, the Advisers typically exclude any assets invested in Affiliated Funds or Affiliated Accounts from the management fee charged by the Advisers to the Account, unless otherwise agreed with a client (for example, where a client requests additional allocation services at the Account level) or disclosed to a client, and subject to applicable law. In some instances, certain Private Funds will not pay management fees to the Affiliated Fund or Affiliated Account with respect to such investment, unless the client (or investors therein) has been provided disclosure regarding such compensation arrangements. Similarly, the Separate Account management fees paid by certain retirement accounts (including those subject to the Employee Retirement Income Security Act of 1974 ("**ERISA**")) that invest in Affiliated Funds or Affiliated Accounts will exclude Account assets invested in such Affiliated Funds or Affiliated Accounts to the extent required by law when calculating the Advisers' Separate Account management fees. Accordingly, the assets of such Accounts invested in Affiliated Funds or Affiliated Accounts will pay

their pro rata share of such applicable fees of the Affiliated Fund or Affiliated Account, to the extent permitted by applicable law. Alternatively, the Advisers may elect to provide a credit representing the respective Account's pro rata share of fees paid with respect to any assets of a client invested in shares of any such Affiliated Funds or Affiliated Accounts.

Conflicts Related to Trading for Multiple Accounts

Franklin Templeton generally endeavors to aggregate same-day client trades in the same security for Accounts under the management of an Adviser's portfolio management team. However, from time to time, an Adviser will manage or implement a portfolio decision on behalf of a client ahead of, or contemporaneously with, portfolio decisions of another client. In these circumstances, market impact, liquidity constraints, or other factors could result in one of the clients receiving less favorable pricing or trading results, paying higher transaction costs, or being otherwise disadvantaged. Similarly, from time to time, an Adviser or an affiliate will buy or sell securities for clients before or at about the same time that such Adviser or affiliate buys or sells the same securities for its own account(s); however, to mitigate the conflicts associated with such trades, Franklin Templeton has adopted policies and procedures applicable to the Advisers requiring such buy or sell orders to generally be aggregated. Please see Item 12 ("Brokerage Practices – Aggregation and Allocation of Trades") for more information regarding aggregation of transactions.

Conflicts Related to Service Providers

An Adviser will, in its discretion, contract with a related person of the Adviser, including related broker-dealers, administrators and/or transfer agents, to perform services for the Adviser in connection with its provision of advisory services to its clients. In these circumstances, the related person may perform such services itself, or it may engage an unaffiliated service provider that it oversees to provide the services. Similarly, an Adviser, in its discretion, at times recommends to its clients that they contract services with a related person of the Adviser or an entity with which the Adviser or its affiliates or a member of their personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derives financial or other benefit. An Adviser will engage a related person to provide such services when it believes such engagement is beneficial to the Account, such as providing efficiencies in information sharing and higher quality of service. However, the Adviser also has an incentive, even if it does not act on such incentive, to recommend the related person even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost. Similarly, in hindsight, circumstances could be construed that the Adviser was not as incentivized to pursue remedies and enforce rights against affiliated service providers as compared to unaffiliated service providers, and the Adviser may be incentivized to agree to more favorable compensation terms with an affiliated service provider than with an unaffiliated service provider.

An Adviser and its affiliates may, to the extent permitted by applicable laws, make payments, or assign the right to receive performance fees, to financial intermediaries relating to the placement of interests/shares in Private Funds. These payments may be in addition to or in lieu of any placement fees payable by investors in those Private Funds. These payments to the financial intermediary and/or its representative create an incentive for the financial intermediary to recommend the Private Fund over other products.

In certain circumstances, conflicts of interest will also arise with respect to investments by an Adviser, its affiliates, or an Account in a service provider. For example, the Advisers will, under certain circumstances, have an incentive to pursue investments in companies where an Adviser or its affiliates are, or could become, a customer of the companies' services, or vice versa.

Where appropriate and permitted under an Account's governing documents or investment management agreement, an Adviser will, from time to time, recommend that such Account file claims or threaten action against other parties. To the extent such party is a service provider, vendor, distributor or placement agent for the Adviser or its affiliates, the Adviser will at times have an incentive not to recommend such action. The Advisers address such conflicts of interest by acting on behalf of their clients in accordance with their fiduciary obligations to each client. Accordingly, the Advisers' general practice is not to take into account the fact that an issuer is a client, service provider, vendor, distributor, or placement agent when making investment decisions or deciding to file claims or pursue legal actions.

Conflicts Related to Affiliated Broker Dealers

Broker-dealers and placement agents related to the Advisers and their employees, to the extent such broker-dealers and placement agents receive compensation in connection with the sale of interests in the Accounts, will have an economic incentive with respect to recommending products and services offered by the Advisers. However, other than with respect to certain U.S. Registered Funds, where the related broker-dealer or placement agent receives compensation through either a front end or contingent-deferred sales charge (or load) paid by certain share classes, as disclosed in the applicable U.S. Registered Fund's prospectus, the Advisers will bear the costs of any such compensation (*i.e.*, it will not be borne by the Accounts or the investors therein). In addition, related broker-dealers and placement agents will have an incentive to recommend products and services of the Advisers over other products and services as a result of being a part of the Franklin Templeton organization.

In addition, as noted above in Item 10 ("Other Financial Industry Activities and Affiliations – Related Broker-Dealers"), certain Advisers' employees are registered representatives of FTDI and/or FTFSC. While these employees do not receive commissions in connection with the sale of interests in the Funds, they will under certain circumstances receive performance-based compensation from the Adviser in connection with the sale of interests in the Funds. As a result, these employees will have an economic incentive to recommend products and services of the Advisers over other products and services.

Allocation of Investment Opportunities

The Advisers have discretion to allocate investment opportunities among their clients subject only to each Account's respective investment guidelines, the Advisers' duty to act in good faith and applicable law. The advisory contracts entered into by the Advisers with each client do not entitle clients to obtain the benefit of any particular investment opportunity that is developed by the Advisers, or their officers or employees, where the Advisers determine in good faith that such client should not invest.

In general, the Advisers have discretion to determine whether a particular security or instrument is an appropriate investment for each Account, based on the Account's investment objectives, investment restrictions and trading strategies. Accounts with investment restrictions that preclude investing in new, unseasoned or small capitalization issuers will generally not participate in IPOs or private equity transactions, including those that are expected to trade at a premium in the secondary market. Moreover, even an Account that is not explicitly precluded from making such investments may not participate if doing so would be inconsistent with its investment guidelines. In addition, Accounts with a specific mandate will at times receive first priority for securities falling within that mandate. As a result, certain Accounts managed by the Advisers or their affiliates may have greater opportunities to invest in private equity transactions or IPOs. In the event that an IPO or private equity transaction is oversubscribed, securities will be allocated among eligible Accounts according to procedures designed to comply with the requirements and restrictions of applicable law and provide equitable treatment to all such Accounts over time. Subject to the above, allocation is done for each Account on a pro rata or other objective basis. The Advisers have implemented the Equity Trade Allocation Policy and Procedures (as defined below) designed to provide that all clients for whom such investments are appropriate receive a fair opportunity over time to participate in IPOs or private equity transactions. To the extent permitted by applicable law and regulations, additional care and caution is exercised if one of the Accounts participating in a limited investment opportunity is an affiliated Account, including specific compliance approval when affiliated Accounts are participating in an IPO or a private equity transaction. Please see Item 6 ("Performance-Based Fees and Side-By-Side Management") and Item 12 ("Brokerage Practices – Aggregation and Allocation of Trades") for more information regarding aggregation and allocation of transactions.

Allocations to any Account in which the interests of the Advisers, their officers, directors, employees or affiliates collectively meet or exceed 5% of the Account's economic value shall be governed by procedures and policies adopted by Franklin Templeton reasonably designed to ensure that buy and sell opportunities are allocated fairly among clients (the "**Equity Trade Allocation Policy and Procedures**"). These Accounts will, in certain circumstances, be deemed affiliated persons of the Advisers by reason of the collective 5% or greater ownership interest of the Advisers' insiders and the Advisers' registered mutual fund clients, if any. Transactions for and allocations to these accounts are given special scrutiny because of the inherent conflict of interest involved. All

exceptions to standard allocation/rotation procedures involving such affiliated accounts are monitored and recorded.

If securities traded for affiliated accounts are also the subject of trading activity (i) by an Adviser's advised mutual fund, or (ii) by other non-mutual fund client accounts, the securities traded for the affiliated accounts are generally aggregated, to the extent permitted by applicable law and regulations, for trading with the Adviser's advised mutual fund or other non-mutual fund client accounts.

The Advisers face potential conflicts when allocating the assets of a client to one or more Affiliated Funds or Affiliated Accounts. For example, in hindsight and despite good intention, circumstances could be construed that such allocation conferred a benefit upon the Affiliated Fund, Affiliated Account or an Adviser to the detriment of the Advisers' client, or vice versa.

Allocation of Private Fund Co-Investment Opportunities

Certain Advisers that advise Private Funds will, from time to time, offer co-investment opportunities to invest alongside a Private Fund to Private Fund Investors and to third parties but are under no obligation to do so. Co-investment opportunities will be allocated as determined by the Adviser in its sole discretion, and any such allocations as between investors will at times not correspond to their pro rata interests in the relevant Private Fund or the size of their accounts. In determining such allocations, an Adviser may take into account any facts or circumstances it deems appropriate, including the size of the prospective co-investor's investment in the Private Fund and any other Accounts; the Adviser's evaluation of the financial resources, sophistication, experience and expertise (with respect to the execution of co-investment transactions generally and with respect to the geographic location or business activities of the applicable investment) of the potential co-investor; perception of past experiences and relationships with the prospective co-investor; whether or not such person has co-invested previously and the ability of any such co-investor to respond promptly and appropriately to potential investment opportunities; perception of the legal, regulatory, reporting, public relations, competitive, confidentiality or other issues that may arise with respect to the prospective co-investor; and any strategic value or other benefit to the Adviser, the applicable Private Fund, or their respective affiliates resulting from offering such co-investment opportunity to the prospective co-investor. Additionally, the Advisers will at times grant certain investors (or their affiliates) in a Private Fund a priority right and/or preferential fee terms to participate in co-investment opportunities. The existence of such priority co-investment rights and/or preferential fee terms may result in other investors receiving fewer or no co-investment opportunities. Because co-investors may not be identified and/or may not agree to invest until relatively late in the investment process, or for other reasons, co-investors may not bear their proportionate share of investment-related expenses (including "broken deal" expenses).

Co-investments often result in conflicts between the applicable Private Fund and other co-investors (for example, over the price and other terms of such investment, exit strategies and related matters, including the exercise of remedies of their respective investments). Furthermore, to the extent that the relevant Private Fund holds interests that are different (or more senior) from those held by such other co-investors, the applicable Adviser will be presented with decisions involving circumstances where the interests of such co-investors are in conflict with those of the Private Fund. To the extent an Adviser or its affiliate co-invests with any Private Fund or holds an interest in any co-investing entity, such conflicts will be heightened. To address these conflicts, the Advisers' policies and procedures seek to provide that allocation decisions are made in the best interests of clients, including giving preference to existing clients over prospective clients and without consideration of the Advisers' pecuniary, investment or other interests.

Allocation of Fees and Expenses

A conflict of interest will, from time to time, arise with respect to an Adviser's determination of whether certain costs or expenses (or portions thereof) that are incurred are expenses for which a client Account is responsible, or are expenses that should be borne by one or more other Accounts or the Adviser or its affiliates. For example, an Adviser will have an incentive to allocate expenses to a client Account that does not pay incentive compensation and to classify expenses as borne by a client Account as opposed to the Adviser's. This conflict of interest is diminished by the terms of the investment management agreement between the client and the Adviser, which generally states which fees and expenses may be charged to the Account versus paid for by the Adviser or its

affiliates. In addition, the Advisers seek to allocate shared expenses in a fair and reasonable manner over time among clients in accordance with applicable agreements and policies and procedures. Nonetheless, because such allocations require judgments as to methodology that the Adviser makes in good faith but in its sole discretion, the portion of an expense that the Adviser allocates to a client Account will not necessarily reflect the relative benefit derived by that Account in each instance.

Allocation of Adviser Resources

The Advisers and their affiliates manage numerous funds and accounts. The Advisers' services are not exclusive to any of their clients, and the Advisers do render similar or other services to other persons and entities.

In order for an Adviser to adhere to applicable fiduciary obligations to its clients as well as to address and/or alleviate conflicts of interest or regulatory issues, it may not be possible or appropriate for an Adviser to allocate to a particular Account all of the resources that might be relevant to make particular investment decisions for such Account. These resource limitations could result in an Adviser making investment or other decisions for a particular Account that are different from the decisions it would make if there were no limitations. Although an Adviser's personnel will devote as much time to each investment as deemed appropriate, they may have conflicts in allocating their time and services among each investment and other clients advised by the Adviser or other Advisers.

To the extent that an Adviser receives performance fees or incentive allocations from an Account or otherwise receives higher fees than it does with respect to other Accounts generally, the Adviser will have an economic incentive, even if the Adviser does not act on such incentive, to allocate additional resources or investment professionals to such Account and, to the extent such resources are limited, away from other Accounts. In practice, however, allocation of additional resources or investment professionals will generally be guided by the Advisers' fiduciary duties to act in each Account's best interests. See Item 6 ("Performance-Based Fees and Side-By-Side Management") for more details on performance-based fees or incentive allocations.

Gifts, Entertainment and Intangible and Other Benefits

The Advisers and their personnel receive certain gifts, entertainment and intangible and/or other benefits arising or resulting from their activities on behalf of Accounts. For example, to the extent permitted by Franklin Templeton's Gift & Entertainment Policy, the Advisers and their personnel and/or other affiliates will, in certain instances, receive meals, tickets to events (such as sports or the theater), or similar benefits of reasonable value and discounts on products and services provided by broker-dealers or counterparties for the Accounts, service providers to the Accounts and/or companies in which their Accounts are invested, as applicable. In addition, airline travel or hotel stays incurred as fund or operating expenses (although these are typically Adviser expenses) sometimes result in "miles" or "points" or credit in loyalty/status programs. Such gifts, entertainment and other benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to the relevant Adviser and/or such personnel (and not the clients, investors and/or their investments).

Conflicts Related to Valuation of Investments

The Advisers will, from time to time, value securities or assets in Accounts or provide assistance in connection with such valuation, which at times creates an incentive to influence the valuation of certain investments. For example, an Adviser could be incentivized to employ valuation methodologies or take other actions that: (i) improve an Account's track record, (ii) minimize losses from investments that have experienced a permanent impairment that must be returned prior to receiving performance-based or incentive fees or allocations or (iii) increase fees payable to the Adviser or its affiliates. Similarly, an Adviser will at times be incentivized to hold onto investments that have poor prospects for improvement in order to receive ongoing fees in the interim and, potentially, additional compensation (for example, performance-based fees or incentive allocations) if such asset's value appreciates in the future. To address these conflicts of interest, the Advisers' have implemented policies and procedures that are reasonably designed to determine the fair value of investments in good faith, without consideration of the Advisers' pecuniary, investment or other interests and in accordance with applicable law. Additionally, the Advisers have established the

Valuation Committee to oversee and administer the application of these policies and procedures to the Advisers' Accounts.

Trading Restrictions and Other Restrictions on Investment Activity

From time to time, the Advisers will be restricted from purchasing or selling, or will otherwise restrict or limit their advice, with respect to securities or other instruments on behalf of their clients. These restrictions may be the result of regulatory or legal requirements applicable to the Advisers, their affiliates or their clients, and/or internal policies, including those related to such regulatory and legal requirements. These restrictions may adversely impact the investment performance of client Accounts.

For example, if the Advisers are provided with MNPI with respect to a potential portfolio company as described under the heading "Conflicts Related to Use of Information" above, restrictions or limitations on initiating or recommending certain types of transactions will apply. Accordingly, should an employee come into possession of MNPI with respect to an issuer, such employee, his or her employing Adviser, and any other Advisers (unless separated from the employee and the employee's Adviser by an information barrier) generally will be prohibited from communicating such information to, or using such information for the benefit of, clients. This prohibition could limit the ability of clients to buy, sell or hold certain investments, thereby limiting the investment opportunities or exit strategies available to clients. Similarly, no employee who is aware of MNPI that relates to any other company or entity in circumstances in which such person is deemed to be an insider or is otherwise subject to restrictions under federal securities laws may buy or sell securities of that company or otherwise take advantage of, or pass on to others, such MNPI in violation of applicable law. An Adviser shall have no obligation or responsibility to disclose such information to, or use such information for the benefit of, any person (including Accounts that it advises). Moreover, the Advisers have implemented procedures, including information barriers in certain cases, that are designed to control the flow of and prohibit the misuse of such information by the Advisers, their employees and on behalf of Accounts.

In other circumstances, the Advisers are limited by one or more restricted lists of securities and issuers that are subject to certain trading prohibitions due to the Advisers' business activities (e.g., service on the board of the applicable company as an outside director by a Franklin Templeton or applicable Fund director, officer or employee) or other regulatory limitations (e.g., trading volume, ownership limitations). An Account will, in most circumstances, be unable to buy or sell certain securities until the restriction is lifted, which could disadvantage the Account. In addition, holdings in the securities or other instruments of an issuer by the Advisers will, in certain situations, affect the ability of an Account that it advises to make certain acquisitions of or enter into certain transactions with such issuer.

Similarly, where the Advisers invest in securities issued by companies that operate in certain regulated industries or in certain emerging or international markets, or are subject to corporate or regulatory ownership restrictions, there may be limits on the aggregate amount that the Advisers can invest. For instance, the Advisers may be restricted from investing an amount that would require the grant of a license or other regulatory or corporate consent, or if doing so would violate the Advisers' internal policies. As a result, an Adviser on behalf of its clients may limit purchases, sell existing investments, or otherwise restrict or limit the exercise of rights (including voting rights) when the Adviser, in its sole discretion, deems it appropriate in light of potential regulatory or other restrictions on ownership or other consequences resulting from reaching investment thresholds or investment restrictions.

In those circumstances where ownership thresholds or limitations must be observed, the Advisers seek to equitably allocate limited investment opportunities among their Accounts over time. If the Accounts' holdings of an issuer exceed an applicable threshold and the Advisers are unable to obtain relief to enable the continued holding of such investments, it may be necessary to sell down these positions to meet the applicable limitations, possibly during deteriorating market conditions and/or at a loss to the client. Please see further discussion of allocation of investment opportunities under Item 12 ("Brokerage Practices"). Other ownership thresholds may trigger reporting requirements to governmental and regulatory authorities, and such reports may entail the disclosure of the identity of an Adviser's client or its intended strategy with respect to such security or asset.

Conflicts Related to Voting and Exercise of Proxies

The Advisers generally manage proxy voting on behalf of their Accounts in accordance with their fiduciary obligations. Nonetheless, the Advisers will, from time to time, have conflicts with respect to the exercise of proxies, consents and similar rights. For example, the Advisers or their affiliates may receive service fees from companies whose management is soliciting proxies or the Advisers may have business or personal relationships with participants in proxy contests, corporate directors or candidates for directorships. In addition, an Adviser will at times restrict or otherwise limit its governance or voting rights with respect to an Account's investment in order to avoid certain regulatory consequences that could result in additional costs and disclosure obligations for, or impose restrictions on, the Adviser, its affiliates and/or other Accounts. This could have a negative impact on the clients whose voting rights are limited. Please refer to Item 17 ("Voting Client Securities") for additional detail on the Advisers' proxy voting policy.

Item 12 Brokerage Practices

BEST EXECUTION

The Advisers have adopted policies and procedures that address best execution with respect to equity and fixed income investments and provide guidance on brokerage allocation. The policies and procedures are reasonably designed to ensure (i) that execution services meet the quality standards established by the Advisers' trading teams and are consistent with established policies, (ii) the broadest flexibility in selecting which broker-dealers can provide best execution, (iii) evaluation of the execution capabilities of, and the quality of execution services received from, broker-dealers effecting portfolio transactions for the Advisers' clients, and (iv) the identification and resolution of potential conflicts of interest.

The policies and procedures for equity transactions outline the criteria that the trading team at each global location uses to determine which broker-dealer(s) have provided the highest quality execution services over a particular time period. These include a periodic review of brokerage allocations, the rationale for selecting certain broker-dealers, and a review of historical broker-dealer transactions to test application of the Advisers' best execution procedures.

While the Advisers generally seek competitive commission rates for equity transactions, they do not necessarily pay the lowest commission or commission equivalent; nor will they select broker-dealers solely on the basis of purported or posted commission rates, or seek competitive bidding for the most favorable commission rate in advance. In an effort to maximize value for their clients, the Advisers will seek to obtain the best combination of low commission rates relative to the quality of execution and other brokerage services received. Transactions involving specialized services or expertise on the part of the broker-dealer may result in higher commissions or their equivalents.

The policies and procedures for fixed income transactions reflect the same general fiduciary principles that are covered in the equity transaction policies and procedures, but also address the special considerations for executing transactions in fixed income securities. Since trading fixed income securities is fundamentally different from trading in equity securities in that the Advisers will generally deal directly with market makers, the Advisers consider different factors when assessing best execution. In these transactions, the Advisers typically effect trades on a net basis, and do not pay the market maker any commission, commission equivalent or markup/markdown other than the spread.

The Advisers' traders for both fixed income and equity investments are responsible for determining which qualified broker-dealers will provide best execution, taking into account the best combination of price and intermediary value given the client's strategies and objectives.

The Advisers may also engage in derivative transactions that are entered into under a negotiated agreement with a counterparty or futures commission merchant, including, but not limited to, swaps, futures, forwards and options. The agreements to trade these instruments must be in place prior to effecting a transaction. If the Advisers are unable to negotiate acceptable terms with a counterparty or are restricted from engaging certain counterparties for an Account, for example, based on an Adviser's assessment of a counterparty's creditworthiness and financial stability at any given time, the universe of counterparties that the Advisers can choose from will be limited and the standard for best execution may vary with the type of security or instrument involved in a particular

transaction. The policies and procedures for equity and fixed income transactions also address the aggregation and allocation principles established by the Advisers for derivatives trading.

BROKERAGE FOR CLIENT REFERRALS

If consistent with their duty to seek best execution, the Advisers will, from time to time, use broker-dealers that refer account clients to the Advisers or an affiliate. To the extent that these referrals result in an increase in assets under management, the Advisers or their affiliates will likely benefit. Therefore, a potential conflict exists that an Adviser could have an incentive to select or recommend a broker-dealer based on its interest in receiving client referrals rather than obtaining best execution on behalf of its clients.

In order to manage this potential conflict of interest, the Advisers do not enter into agreements with, or make commitments to, any broker-dealer that would bind the Advisers to compensate that broker-dealer through increased brokerage transactions for client referrals or sales efforts; nor will the Advisers use step-out transactions or similar arrangements to compensate selling brokers for their sales efforts. In addition, the U.S. Registered Funds have adopted procedures pursuant to Rule 12b-1(h) under the 1940 Act ("Prohibition on the Use of Brokerage Commissions to Finance Distribution"), which provide that neither such funds nor the fund's Adviser may direct brokerage in recognition of the sale of fund shares. Consistent with those procedures, the Advisers do not consider the sale of mutual fund shares in selecting broker-dealers to execute portfolio transactions. However, whether or not a particular broker or dealer sells shares of the Advisers' mutual funds neither qualifies nor disqualifies such broker or dealer to execute transactions for those mutual funds.

POLICY ON USE OF CLIENT COMMISSIONS

When appropriate under their discretionary authority and consistent with their duty to seek best execution, the Advisers or their related persons will, from time to time, direct brokerage transactions for Accounts to broker-dealers that provide the Advisers with research and/or brokerage products and services. The brokerage commissions from client transactions that are used to pay for research or brokerage services in addition to basic execution services are referred to here as "**client commissions**."

In the United States, broker-dealers typically bundle research with their trade execution services. The research provided can be either proprietary (created and provided by the executing broker-dealer, including tangible research products as well as access to analysts and traders) or third-party (created by a third party but provided by the executing broker-dealer). To the extent permitted by applicable law, the Advisers will, from time to time, use client commissions to obtain both proprietary and third-party research as well as certain brokerage products and services. The receipt of research in exchange for client commissions benefits the Advisers by allowing the Advisers to supplement their own research and analysis and also gain access to specialists from a variety of securities firms with expertise on certain companies, industries, areas of the economy, and market factors without the Advisers having to pay for such services and resources. The Advisers believe that this research provides an overall benefit to their clients.

The Advisers become eligible for client commission credits by sending trades and paying trade commissions to broker-dealers ("**Client Commission Arrangement Broker-Dealers**") who both execute the trades and provide the Advisers with research and other brokerage products and services. These products and services come in a variety of forms including: (1) research reports generated by the broker-dealer, (2) conferences with representatives of issuers, and (3) client commission credits that can be used to obtain research reports or services from others. The portion of any trade commission on a particular trade attributable to the client commission research or other brokerage products and services cannot be identified at an individual account level.

Listed in alphabetical order below are the ten Client Commission Arrangement Broker-Dealers from whom the Advisers, other than the K2 Advisers, and certain of their affiliates generated the most client commission credits. Additional Client Commission Arrangement Broker-Dealers are also used to a lesser degree, and therefore the following list is subject to change periodically. This and the above information are intended to satisfy the alternative reporting option for Form 5500, Schedule C.

Bank of America/Merrill Lynch

Citigroup Global Markets Inc.
Credit Suisse Securities (USA) LLC
Goldman Sachs & Co.
HSBC Securities (USA) Inc.
Jefferies & Company
JP Morgan Securities Inc.
Morgan Stanley & Co. Inc.
Sanford C. Bernstein & Co. LLC
UBS Securities LLC

Section 28(e) of the U.S. Securities Exchange Act of 1934 provides a safe harbor that allows an investment adviser to pay for research and brokerage services with the client commission dollars generated by account transactions. The Advisers currently acquire only the types of products or services that qualify for the safe harbor. Research and brokerage services acquired with client commissions permitted under the safe harbor include, but are not limited to:

- reports, statistical data, publications and other information on the economy, industries, sectors, individual companies or issuers, which may include research provided by proxy voting services;
- software and communications services related to the execution, clearing and settlement of securities transactions;
- software that provides analyses of securities portfolios;
- statistical trade analysis;
- reports on legal developments affecting portfolio securities;
- registration fees for conferences and seminars;
- consultation with analysts, including research conference calls and access to financial models;
- investment risk analyses, including political and credit risk;
- investment risk measurement systems and software;
- analyses of corporate responsibility issues; and
- market data services, such as those which provide price quotes, last sale prices and trading volumes.

Examples of specific products and services received within the last year include those provided by Bloomberg, Thomson Reuters, FactSet, MSCI/Barra and Standard and Poor's. Services may also include access to information providers who are part of what may be referred to as an "expert network." Firms providing such a service often facilitate consultations among researchers, investment professionals, and individuals with expertise in a particular field or industry, such as doctors, academics and consultants. Access to expert networks is particularly helpful in understanding sectors of the market that are highly complex or technical in nature. The Advisers have developed controls in support of existing policies and procedures governing the use of expert networks and the information they may provide to the Advisers.

If a product or service used by the Advisers provides both research and non-research benefits, the Advisers will generally consider it as a mixed-use item and will pay for the non-research portion with cash from their own resources, rather than client commissions. The Advisers will then allocate the cost of the product between client commissions and cash according to their anticipated use. Although the allocation between client commissions and cash is not a precise calculation, the Advisers make a good faith effort to reasonably allocate such services, and maintain records detailing the mixed-use research, services and products received and the allocation between the research and non-research portions, including payments made by client commissions and cash. It is not ordinarily possible to place an exact dollar value on the special execution or on the research services the Advisers receive from dealers effecting transactions in portfolio securities.

The Advisers will typically select a broker-dealer based on their assessment of the broker-dealer's trade execution services and their belief that the research, information and other services the broker-dealer provides will benefit Accounts. As a result, broker-dealers selected by the Advisers will, from time to time, be paid a commission rate for effecting portfolio transactions for Accounts in excess of amounts other broker-dealers would have charged for effecting similar transactions if the Advisers determine that the commission is reasonable in relation to the value of the brokerage

and/or research services provided, viewed either in terms of a particular transaction or the Advisers' overall duty to their discretionary Accounts.

While the Advisers may negotiate commission rates and prices with certain broker-dealers with the expectation that they will be providing brokerage or research services, the Advisers will not enter into any agreement or understanding with any broker-dealer that would obligate the Advisers to direct a specific amount of brokerage transactions or commissions in return for such services. Research services are one of the factors considered when determining the amount of commissions to be allocated to a specific broker-dealer. As a result, the Advisers will have an incentive to select or recommend a broker-dealer based on the Advisers' interest in receiving research or other products or services, rather than on a client's interest in receiving the most favorable commission rate.

Certain broker-dealers state in advance the amount of brokerage commissions they require for particular services. If the Advisers do not meet the threshold for a desired product, they may either direct accumulated research commissions as part of a client commission arrangement with an executing broker-dealer to pay the research provider or the Advisers may pay cash.

The Advisers, to the extent consistent with best execution and applicable regulations, will, from time to time, direct trades to a broker-dealer with instructions to execute the transaction and have a third-party broker-dealer or research provider provide client commission products and/or services to the Advisers. This type of commission-sharing arrangement allows the Advisers to pay part of the commission on the trade to a broker-dealer that can provide better execution and the other part of the commission to another broker-dealer from which the Advisers receive research or other services.

Some clients permit the Advisers to use Client Commission Arrangement Broker-Dealers but prohibit the Advisers from using the commissions generated by their Accounts to acquire third-party and proprietary research services. While these clients may not experience lower transaction costs than other clients, they are likely to benefit from the research acquired using other clients' commissions because most research services are available to all investment personnel, regardless of whether they work on Accounts that generate client commissions eligible for research acquisition. The Advisers do not seek to use research services obtained with client commissions solely for the specific Account that generated the client commissions and will, from time to time, share that research with the Advisers' affiliates. As a result, the Advisers' Accounts benefit from research services obtained with client commissions generated by client accounts of other advisers within Franklin Templeton. The Advisers do not attempt to allocate the relative costs or benefits of research among Accounts because they believe that, in the aggregate, the research they receive assists the Advisers in fulfilling their overall duty to all clients.

In the case of Accounts that are covered by the European Union's revised Markets in Financial Instruments Directive ("**MiFID II**"), Franklin Templeton pays for third-party investment research out of its own resources. To the extent these Accounts' orders are aggregated with the orders of clients whose commissions pay for research, clients participating in such aggregated orders may not pay a pro rata share of all costs (*i.e.*, research payments) associated with such orders, and these Accounts and other non-research paying clients may realize the price and execution benefits of the aggregated order while benefiting from the research acquired by Franklin Templeton, although all clients will pay the same average security price and execution costs.

AGGREGATION AND ALLOCATION OF TRADES

Generally, all same day client trades in the same security for Accounts under the management of an Adviser's portfolio management team will be aggregated in a single order (sometimes called "block trading") unless aggregation is inefficient or is restricted by client direction, type of Account or other limitation. All Accounts that participate in a block transaction will participate on a pro rata, relative order size, percentage, or other objective basis. Potential conflicts of interest exist with respect to the aggregation and allocation of client transactions. For example, the Advisers could be viewed as allocating securities that they anticipate will increase in value to certain favored clients, especially those that pay a performance-based fee. Please see Item 6 ("Performance-Based Fees and Side-By-Side Management") for additional information.

There are instances where purchase or sale orders, or both, are placed simultaneously on behalf of the Advisers' Accounts and by accounts advised by other Advisers or the Advisers' affiliates. In

these instances, the Advisers will aggregate the purchase or sale order in a block trade for execution in accordance with established procedures. Generally, for each participating account, the block transactions are averaged as to price and allocated as to amount in accordance with daily purchase or sale orders actually placed for the account. Orders may be aggregated to facilitate best execution, as well as to aid in negotiating more favorable brokerage commissions beneficial to all accounts. The Advisers will, from time to time, also aggregate orders for clients that permit client commission arrangements with clients that do not permit such arrangements. In these cases, the Advisers aggregate the orders to obtain best execution and do not seek a research credit for the portion of the trade that is executed for clients that do not permit such arrangements. As noted above, such circumstances may result in the non-research-paying clients (including those covered by MiFID II) realizing the price and execution benefits of the aggregated order while benefiting from the research acquired by Franklin Templeton. Generally, with the exception of those Accounts that are subject to MiFID II, all Accounts whose trades are aggregated will pay the same commission levels.

From time to time, aggregation will not be possible because a security or other instrument is thinly traded or otherwise not able to be aggregated and allocated among all clients seeking the investment opportunity, and clients may be limited in, or precluded from, participating in an aggregated trade. Also, an issuer in which clients wish to invest may have threshold limitations on aggregate ownership interests arising from legal or regulatory requirements or company ownership restrictions (e.g., poison pills or other restrictions in organizational documents), which may have the effect of limiting the potential size of the investment opportunity and thus the ability of clients to participate in the opportunity.

In making allocations of fixed income and other limited investment opportunities, the Advisers must address specific considerations. For example, the Advisers may not be able to acquire the same security at the same time for more than one Account, may not be able to acquire the amount of the security to meet the desired allocation amounts for each Account, or, alternatively, in order to meet the desired allocation amount for each Account, the Advisers may be required to pay a higher price or obtain a lower yield for the security. As a result, the Advisers will take into consideration one or more factors in making such allocations as part of their standard methodology, including, but not limited to:

- Investment objectives
- Relative cash position of Accounts
- Client tax status
- Regulatory restrictions
- “Round Lot” limitations when placing orders
- Emphasis or focus of particular Accounts
- Risk position of the Accounts
- Specific overriding client instructions
- Existing portfolio composition and applicable industry, sector, or capitalization weightings
- Client sensitivity to turnover
- Stage in the life cycle of the investment opportunity
- Structure of the investment opportunity

While pro rata allocation by order size is the most common form of allocation, to help ensure that the Advisers’ clients have fair access to trading opportunities over time, certain trades will be placed by an alternative standard allocation or an objective methodology other than the standard methodology. Other objective methodologies are permissible provided they are employed with general consistency, operate fairly and are properly documented. In situations where orders cannot be aggregated, greater transaction costs may result, and prices may vary among Accounts. See “Client-Directed Brokerage Transactions” below. In addition, certain non-U.S. markets require trades to be executed on an account-by-account basis. As portfolio transactions in such markets cannot be block traded, prices may vary among Accounts.

CLIENT-DIRECTED BROKERAGE TRANSACTIONS

The Advisers do not routinely recommend, request or require that a client direct trading orders to any specific broker-dealer. However, the Advisers will, in certain circumstances, accommodate

special requests from a client directing the Advisers to use a particular broker-dealer to execute portfolio transactions for its Account. This may include the use of expense reimbursement and commission recapture arrangements, where certain broker-dealers rebate a portion of an Account's brokerage commissions (or spreads on fixed income or principal trades) directly to the client's Account, or apply the amount against an Account's expenses. Clients may also ask the Advisers to seek reduced brokerage commissions with some or all broker-dealers used to execute their trades.

Specific client instructions on the use of a particular broker-dealer limit an Adviser's discretionary authority, and the Adviser may not be in a position to freely negotiate commission rates or spreads, or select broker-dealers on the basis of best price and execution. In addition, transactions for a client that directs brokerage may not be combined or blocked with orders for the same securities for other Accounts managed by the Advisers. These trades will generally be placed at the end of block trading activity for a particular security and executed after discretionary trades. Accordingly, client-directed transactions are vulnerable to price movements, particularly in volatile markets, that may result in the client receiving a price that is less favorable than the price obtained for the block order. Under these circumstances, the client may be subject to higher commissions, greater spreads, or less favorable net prices than might be the case if the Advisers had the authority to negotiate commission rates or spreads, or to select broker-dealers based solely on best execution considerations. Therefore, where a client directs an Adviser to use a particular broker-dealer to execute trades, or imposes limits on the terms under which such Adviser may engage a particular broker-dealer, such Adviser will not, in certain circumstances, be able to obtain best execution for such client-directed trades.

FOREIGN EXCHANGE TRANSACTIONS

Some clients require transactions in currencies other than their base currency to permit the purchase or sale of foreign securities, to repatriate the proceeds of such trades (as well as related dividends, interest payments or tax reclaims) and to convert cash inflows back to their base currency. Typically, these foreign exchange ("FX") transactions will be conducted either by the client's custodian bank as part of the FX transaction services offered to its custody clients, or by the client's investment adviser through a third-party broker. In some cases, a client may require that its custodian bank execute all FX transactions for its Account, or particular markets (or certain instruments in particular markets) may be restricted such that FX transactions in those currencies can only be executed by the client's custodian bank.

Generally, FX transactions related to portfolio trades in unrestricted markets are performed by the Advisers for their clients. FX transactions related to portfolio trades in restricted markets, and for income repatriation, are generally the responsibility of the respective client's custodian bank.

For certain Accounts, the Advisers will be responsible for the repatriation of income (including, for some of these Accounts, the decision whether to repatriate the income or leave it in local currency based on investment outlook) and for arranging FX transactions in one or more restricted markets. The Advisers will typically perform the income repatriation for these Accounts in unrestricted markets and the client's custodian bank will generally carry out FX transactions and repatriation (through a sub-custodian bank domiciled in the foreign country) in restricted markets. The Advisers do not have the ability to control any FX transactions performed by the client's custodian bank and assume no responsibility for the execution or oversight of FX transactions conducted by the client's custodian bank.

Whether a market is considered to be restricted will depend on a number of factors, including, but not limited to, country-specific statutory requirements, structural risks, and operational issues. Whether a market is restricted or unrestricted can also change over time and varies depending on the type of transaction. Accordingly, the Advisers will consult from time to time with third parties, including broker-dealers and custodians, to determine, in good faith, whether a market is considered restricted.

For certain Funds, including U.S. Registered Funds, where the custodian is appointed by the Fund, the applicable Adviser reviews FX activity performed by the custodian. In its review, the Adviser may rely on information provided by a third-party industry vendor. Typically, the analysis is carried out on a post-trade basis only and seeks to focus on trends over a period of time as an indicator of FX execution quality, rather than on individual transactions in a Fund's portfolio. However, with

respect to Accounts for which FX transactions are performed by the client's custodian bank, the applicable Adviser does not monitor the execution quality of the FX transactions performed by the client's custodian bank. In exceptional circumstances, an Adviser will agree with a client to monitor certain FX activity performed by the client's custodian bank for that Account. In doing so, the Adviser may rely on information provided by a third party.

Item 13 Review of Accounts

The Advisers manage investment portfolios for each of their clients. Generally, the portfolios under an Adviser's management are reviewed by one or more portfolio managers who are responsible to their respective Chief Investment Officer (or other, similar senior investment professional), either directly or indirectly. Such review may be made with respect to an Adviser's clients' investment objectives and policies, limitations on the types of instruments in which each of its clients may invest and concentration of investments in particular industries or types of issues. There is no general rule regarding the number of Accounts assigned to a portfolio manager. The frequency, depth, and nature of Account reviews are often determined by negotiation with individual clients pursuant to the terms of each client's investment management agreement or by the mandate selected by the client and the particular needs of each client. Written reports of portfolio breakdown, transactions and performance are provided to clients no less frequently than quarterly. Additional trade reports may be available upon request.

Item 14 Client Referrals and Other Compensation

The Advisers or a related person, from time to time, enter into referral fee arrangements to compensate affiliated and non-affiliated persons for referring or otherwise recommending its investment advisory services to potential clients. To the extent required, such arrangements would be governed by the policy on use of solicitors and client referrals adopted by the Advisers and entered into in accordance with Rule 206(4)-3 under the Advisers Act and other applicable law. The compensation paid may consist of a cash payment computed as a flat fee; a percentage of an Adviser's (or an affiliate's) advisory fee, performance fee or carried interest; or some other method of computation agreed upon between the parties. For some Accounts, primarily certain Private Funds, a third-party distributor will be compensated by way of a retrocession that is specified in the applicable selling or referral agreement. Retrocession is a term used to describe an on-going fee payable by the Adviser to the third-party distributor so long as such assets placed by the third-party distributor remain invested in the Account. To the extent allowed under applicable law, the Advisers' Code of Ethics and the policies and procedures (including the Anti-Corruption Policy) of the Advisers, their affiliates, and/or a particular broker-dealer, the Advisers or a related person will, from time to time, (i) pay broker-dealer sponsors for training seminars, conferences and other educational events, (ii) pay travel and lodging expenses relating to financial advisers' attendance at an Adviser's due diligence meetings, (iii) give certain business-related gifts or gratuities and/or pay reasonable expenses relating to meals and/or entertainment for financial advisers, and (iv) make a contribution in connection with a charitable event or to a charitable organization sponsored, organized or supported by a broker-dealer or its representatives, on behalf of such broker-dealer or its representatives, or to which such broker-dealer or its affiliates provides professional services.

With respect to certain Advisers that serve SMA Program clients, such Advisers receive fees, directly or indirectly, from the sponsor of the SMA Program for all services rendered by such Advisers to the SMA Program clients, including, on occasion, out of the sponsor's own resources. As such, these Advisers may be considered to receive cash compensation from a non-client in connection with giving advice to SMA Program clients. Similarly, in certain cases where an Adviser serves as a sub-adviser, the Adviser will, from time to time, receive advisory fees from the primary investment manager rather than directly from the investment advisory client.

For details regarding economic benefits provided to the Advisers by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 ("Code of Ethics, Participation or Interest in Client Transactions and Personal Trading") above.

Item 15 Custody

For certain Separate Account clients that authorize an Adviser to receive its advisory fees out of the assets in such clients' Accounts by sending invoices to the respective custodians of those

Accounts, the Adviser will be deemed by the SEC to have custody of the assets in those Accounts. As a result, such clients, where required, will receive account statements directly from their third-party custodians for the Accounts, which should be carefully reviewed. In addition to account statements delivered by third-party custodians, the applicable Adviser may provide such clients with separate reports or account statements containing information about the Accounts. Clients should compare these carefully to the account statements received from the custodian and report any discrepancies to their Adviser and custodian immediately.

An Adviser, if it advises Private Funds, will also be deemed to have custody of the assets of certain Private Funds for which it or its related person serves as general partner (or in a comparable position for other types of pooled investment vehicles). Investors in these pooled investment vehicles that receive the fund's annual audited financial statements in accordance with the Advisers Act should review these statements carefully and should contact their Adviser immediately if they do not receive audited financial statements in a timely manner. To the extent that a pooled investment vehicle for which an Adviser or its related person serves as general partner (or in a comparable position) does not provide investors with its annual audited financial statements as described above, such fund's custodian will deliver to the investor a quarterly statement as required under the Advisers Act, which should be carefully reviewed by the investor, and the pooled investment vehicle will be subject to an independent examination in accordance with the Advisers Act.

Item 16 Investment Discretion

Generally, the Advisers have discretionary authority to supervise and direct the investment of the assets under their management, without obtaining prior specific client consent for each transaction. This investment discretion is granted by written authority of the client in the investment management agreement between the client and an Adviser and is subject to such limitations as a client may impose by notice in writing and as agreed to by the Adviser. To the extent an Adviser has discretionary authority over assets of a Sub-Advised Account, such authority is granted in an advisory agreement between the Adviser and the Sub-Advised Account and/or the manager of such Sub-Advised Account. Under their discretionary authority, the Advisers will generally make the following determinations in accordance with the investment management agreement, the client's investment restrictions, the Advisers' internal policies, commercial practice, and applicable law, without prior consultation or consent before a transaction is effected:

- Which securities or other instruments to buy or sell;
- The total amount of securities or other instruments to buy or sell;
- The broker-dealer or counterparty used to buy or sell securities or other instruments; and/or
- The prices and commission rates at which transactions are effected.

When an Adviser believes engagement will be beneficial, it may, in the Adviser's sole discretion unless otherwise agreed, submit a shareholder proposal to, or otherwise actively engage with, the issuer of securities held in one or more Accounts. An Adviser may also delegate its discretionary authority to a sub-adviser where the Adviser believes, in its sole discretion, that such delegation would be beneficial. The Advisers will consider a variety of factors including, but not limited to, costs when considering whether to engage in such activities.

The Advisers may, in an Adviser's sole discretion, accept the initial funding of an Account with one or more securities in-kind. Subject to the terms of the investment management agreement and applicable law, the Advisers will use good faith efforts to liquidate any such securities that the Advisers do not elect to keep as part of such Account, and shall not be liable for any investment losses or market risk associated with such liquidation.

LIMITATIONS ON DISCRETION

Certain Advisers provide non-discretionary services to Accounts, pursuant to which the Advisers provide a client with research, model portfolios or advice with respect to purchasing, selling, or holding particular investments. Accounts for which the Advisers do not have investment discretion may or may not include the authority to trade for the Account and are subject to any additional limitations that are imposed by a client in writing. For certain Accounts where the Advisers do not have investment discretion or trading authority, a conflict of interest will exist for the Advisers to delay a recommendation to buy or sell if the Advisers believe that the execution of such

recommendation could have a material impact on pending trades for Accounts for which the Advisers hold investment discretion. Conversely, trades may be executed for discretionary clients in advance of executions for non-discretionary clients, potentially disadvantaging the non-discretionary clients where there is a timing difference related to the provision of advice to a non-discretionary client for consideration and that client's determination of whether or not to act on the advice.

The Advisers may, in an Adviser's sole discretion, accept one or more categories of investment restrictions requested in writing by clients. In the case of investment restrictions based on social, environmental or other criteria, unless otherwise agreed to with a client, the Advisers' compliance with such restrictions will be based on good faith efforts and can be satisfied by using either a third-party service to screen issuers against such restrictions, or a combination of other market data services (such as Bloomberg and FactSet) and internal research.

The investment guidelines applicable to an Account are typically based on the Account being fully funded. During funding or transition phases, or where there are unusual market conditions, an Adviser's inability to comply with restrictions related to holding limitations, sector allocations and investment diversification shall not, unless otherwise agreed with a client, be considered a breach of the investment management agreement between such Adviser and its client. Moreover, investment restrictions are looked to at the time of investment unless otherwise agreed with the client in writing, and variances to the investment guidelines such as market movements (including exchange rates), the exercise of subscription rights, late settlement as a result of custodial action or inaction, a material increase or reduction in assets due to contributions or withdrawals by the client, or a change in the nature of an investment are generally not considered to be a breach of the investment management agreement unless specifically agreed to in writing.

SWEEP VEHICLES

Generally, uninvested cash held in an Account will be automatically moved or "swept" temporarily by the client's custodian into one or more money market mutual funds or other short-term investment vehicles offered by such custodian. Sweep arrangements are typically made between the client and the client's custodian, and the client is responsible for selecting the sweep vehicle. The Advisers' sole responsibility in this regard, unless specifically directed otherwise in the client's investment management agreement or by separate agreement, is to issue standing instructions to the custodian to automatically sweep excess cash in the Account into the sweep vehicle. In circumstances where the client has not made arrangements with its custodian, the Advisers may consult with the client regarding an appropriate sweep vehicle from those made available by the custodian; however, the client will ultimately select the desired sweep vehicle. In exceptional circumstances, the Advisers will select the appropriate sweep vehicle from those made available by the custodian. However, the Advisers do not actively manage the residual cash in Accounts and will not be responsible for monitoring the sweep vehicle into which such residual cash is swept.

Whether sweep arrangements are made between the client and its custodian or in consultation with the Advisers, any client whose assets are swept into an unaffiliated money market mutual fund or other short-term investment vehicle will continue to pay the Adviser's regular advisory fee on the entire Account, plus the client may pay a management fee to the manager of such fund or short-term investment vehicle on the portion of the Account's assets invested in the money market mutual fund or short-term investment vehicle.

PARTICIPATION IN LEGAL PROCEEDINGS

Funds

Unless otherwise noted in an Adviser's Appendix, with respect to the Funds that the Advisers manage, advise, or sub-advise, the Advisers, through their delegates (which include, without limitation, personnel of an affiliate, a law firm, custodian or other claim filing service), use good faith efforts to file proofs of claim on behalf of the Funds in class action lawsuit settlements or judgments and regulatory recovery funds pending in the United States and Canada (the "**Claim Service**"). These United States and Canadian class action lawsuits involve issuers of securities presently or formerly held in the Funds' portfolios, or related parties of such issuers, of which the Advisers learn and for which the Funds are eligible during the term of the investment management agreement. Infrequently, such class action lawsuits require investors affirmatively to "opt in" to the class and

may subject investors to public identification and to participation in discovery (“**Opt-In Actions**”). The Advisers have complete discretion to determine, on a case-by-case basis, whether to file proofs of claim and any other required documentation for the Funds in any Opt-In Actions of which the Adviser learns, and shall not be required, or be liable for any failure, to do so.

While the Claim Service is focused on recovery opportunities in the United States and Canada (the jurisdictions in which class action lawsuits and regulatory recovery funds predominate), it is possible that, as class action laws in legal systems in jurisdictions outside of the United States and Canada continue to evolve, the Advisers may learn of recovery opportunities in those other jurisdictions that similarly require only the filing of a proof of claim or its equivalent to recover (“**Foreign Actions**”). The Advisers do not assume any obligation to identify, research, or file proofs of claim in any Foreign Actions. In the event that the Advisers do learn of any Foreign Actions, the Advisers have complete discretion to determine, on a case-by-case basis, whether to file proofs of claim for the Funds in such Foreign Actions.

In addition, from time to time, Advisers to Funds will recommend that one or more of such Funds pursue litigation against an issuer or related parties (whether, for example, by opting out of an existing class action lawsuit, participating in a representative action in a foreign jurisdiction, or otherwise). In addition, unless otherwise noted in an Adviser’s Appendix, the Advisers or the Funds they advise will also, from time to time, participate in bankruptcy proceedings involving issuers of securities presently or formerly held in such Funds’ portfolios, or related parties of such issuers, and join official or *ad hoc* committees of creditors or other stakeholders. Similarly, the Adviser’s affiliates will, from time to time, recommend that the Funds they manage participate in litigation, bankruptcy proceedings or committees of creditors or other stakeholders.

Separate Account/Sub-Advised Account Clients

With respect to Separate Accounts and Sub-Advised Accounts that an Adviser manages, unless otherwise specifically agreed, the Adviser shall not be required, or be liable for any failure to, but may, without undertaking any obligation to do so, (i) provide the Claim Service, (ii) file proofs of claim in Foreign Actions, and/or (iii) file any required documentation in any Opt-In Actions, as described above. Foreign Actions do not include any other type of collective action outside of the United States and Canada, such as representative actions, as those other actions require individual analysis as to whether participation is in an Account’s best interest and often require participants to agree to funding agreements or to pay the costs of the litigation directly, to enter into agreements with representative organizations, to commit to participation in discovery, and may require participants to be identified publicly as plaintiffs in the action (such offshore collective or representative actions, “**Foreign Litigation Actions**”). The Advisers do not assume any obligation to identify or take any action with respect to such Foreign Litigation Actions for their Separate Accounts or Sub-Advised Accounts.

Neither the Adviser nor the Adviser’s affiliates will provide notice of, or the opportunity to participate in, any litigation against an issuer or related parties to the Adviser’s Separate Account and Sub-Advised Account clients.

Further, unless otherwise specifically agreed, an Adviser shall not be required or be liable for any failure to, but may, participate in any bankruptcy proceedings involving issuers of securities presently or formerly held by Separate Account or Sub-Advised Account clients or related parties of such issuers. Without limiting the foregoing, unless otherwise specifically agreed, an Adviser shall not be required or be liable for any failure to, but may in its discretion: (i) file proofs of claim in bankruptcy proceedings, (ii) notify Separate Account or Sub-Advised Account clients of any applicable deadlines or other events relating to bankruptcy proceedings, or (iii) participate in any committees of creditors or other stakeholders on behalf of Separate Account or Sub-Advised Account clients.

In connection with the Claim Service and an Adviser’s involvement in bankruptcy proceedings on behalf of Separate Account and Sub-Advised Account clients, where applicable, the Adviser will, from time to time, disclose information about a Separate Account or Sub-Advised Account client, whether by including such information in any proofs of claim or otherwise disclosing such information in any related manner. By filing a proof of claim on behalf of a Separate Account or Sub-Advised Account client, the Adviser will, from time to time, waive the Separate Account or Sub-Advised Account client’s right to pursue separate litigation with respect to the subject matter of the

class action lawsuit or regulatory recovery fund, or the right to a jury trial in a bankruptcy proceeding, as applicable. Where an Adviser does provide the Claim Service or agrees to participate in bankruptcy proceedings on behalf of a Separate Account or Sub-Advised Account, such Adviser may (subject to the investment management agreement) at any time terminate provision of such services by giving notice of such termination to the Separate Account or Sub-Advised Account client (by any method such Adviser chooses, including electronic mail), and such services will, if not sooner terminated, automatically terminate upon the termination of the investment management agreement.

In addition, with respect to all Accounts, Accounts that are currently or were formerly investors in, or were otherwise involved with, investments that are the subject of a legal action will, under certain circumstances, be parties to the particular legal action with the result that an Account may participate in an action in which not all Accounts with similar investments participate. In these instances, non-participating Accounts will benefit from the results of such action without becoming or otherwise being subject to the associated fees, costs, expenses and liabilities.

SMA Program Clients

Unless otherwise specifically requested, Advisers that provide advice to clients or sponsors in connection with SMA Programs will not provide the services described above with respect to legal or bankruptcy proceedings to such clients or sponsors.

Item 17 Voting Client Securities

PROXY VOTING POLICIES & PROCEDURES

The Advisers have delegated their administrative duties with respect to voting proxies for client equity securities to the proxy group within Franklin Templeton Companies, LLC (the “**Proxy Group**”), an affiliate and wholly-owned subsidiary of Franklin Resources.

All proxies received by the Proxy Group will be voted based upon the Advisers’ instructions and/or policies. To assist it in analyzing proxies, the Advisers subscribe to one or more unaffiliated third party corporate governance research services that provide in-depth analyses of shareholder meeting agendas, vote recommendations, recordkeeping and vote disclosure services (each a “**Proxy Service**”). Although Proxy Service analyses are thoroughly reviewed and considered in making a final voting decision, the Advisers do not consider recommendations from a Proxy Service or any other third party to be determinative of an Adviser’s ultimate decision (except as otherwise discussed in an Adviser’s Appendix). Rather, the Advisers exercise their independent judgment in making voting decisions. The Advisers vote proxies solely in the best interests of the client, the Fund investors or, where employee benefit plan assets subject to ERISA are involved, in the best interests of plan participants and beneficiaries (collectively, “**Advisory Clients**”) unless (i) the power to vote has been specifically retained by the named fiduciary in the documents in which the named fiduciary appointed an Adviser or (ii) the documents otherwise expressly prohibit an Adviser from voting proxies. As a matter of policy, the officers, directors and Access Persons of the Advisers and the Proxy Group will not be influenced by outside sources whose interests conflict with the interests of Advisory Clients.

The Advisers are affiliates of a large, diverse financial services firm with many affiliates and each Adviser makes its best efforts to mitigate conflicts of interest. However, conflicts of interest can arise in situations where the issuer of the equity securities that are the subject of the proxy vote is a client, a significant vendor to Franklin Templeton, a distributor of Franklin Templeton proprietary investment products, or a broker-dealer, or when an employee or director of an Adviser serves as an officer or director of the issuer.

Material conflicts of interest are identified by the Proxy Group based upon analyses of various sources. The Proxy Group gathers and analyzes this information on a best efforts basis, as much of this information is provided directly by individuals and groups other than the Proxy Group, and the Proxy Group relies on the accuracy of the information it receives from such parties.

In situations where a material conflict of interest is identified, the decision on how to resolve the conflict will be made in accordance with the Proxy Group’s conflict of interest procedures, and the Proxy Group will, under certain circumstances, vote consistently with the voting recommendation

of a Proxy Service or send the proxy directly to the relevant Advisory Clients with the Adviser's voting recommendation.

In certain circumstances, Separate Accounts are permitted to direct their votes in a particular solicitation pursuant to the applicable investment management agreement. A client that wishes to direct its vote in a particular solicitation shall give reasonable prior written notice to the relevant Adviser indicating such intention and provide written instructions directing the Adviser or the Proxy Group to vote in regard to the particular solicitation. Where such prior written notice is received, the Proxy Group (or the Adviser if applicable) will vote proxies in accordance with such written instructions received from the client.

The Advisers will inform clients that have not delegated voting responsibility to the Advisers, but that have requested voting advice, about the Adviser's views on such proxy votes.

In certain SMA Programs, typically where the SMA Program sponsor has not elected for the applicable Adviser to do so or where the applicable Adviser only provides non-discretionary management services to the SMA Program, the relevant Adviser will not be delegated the responsibility to vote proxies held by the SMA Program accounts. Instead, the SMA Program sponsor or another service provider will generally vote these proxies. Clients in SMA Programs should contact the SMA Program sponsor for a copy of the Program Sponsor's proxy voting policies.

As a matter of practice, the votes with respect to most issues are cast in accordance with the position of the management of the company in which the equity securities are held. Each issue, however, is considered on its own merits, and the Advisers will not support the position of the company's management in any situation where they deem that the ratification of management's position would adversely affect the investment merits of owning that company's shares.

The Proxy Group is part of the Franklin Templeton Companies, LLC Corporate Legal Department and is overseen by legal counsel. For each shareholder meeting, a member of the Proxy Group will consult with the research analyst(s) that follows the security and will provide the analyst(s) with the agenda, Proxy Service analyses, recommendations and any other information provided to the Proxy Group. Except in situations identified as presenting material conflicts of interest or as otherwise discussed in an Adviser's Appendix (if applicable), the Advisers' research analyst(s) and relevant portfolio manager(s) are responsible for making the final voting decision based on their review of the agenda, Proxy Service analyses, proxy statements, their knowledge of the company and any other information publicly available. In the case of a material conflict of interest, the final voting decision will be made in accordance with the conflict procedures, as described above. Except in cases where the Proxy Group is voting consistently with the voting recommendations of an independent third-party service provider, the Proxy Group must obtain voting instructions from the Advisers' research analyst(s), relevant portfolio manager(s), legal counsel and/or an Advisory Client prior to submitting the vote.

The Advisers have adopted general proxy voting guidelines that are reviewed periodically by various members of the Advisers' organization, including portfolio management, legal counsel and the Advisers' officers, and are subject to change. These guidelines cannot provide an exhaustive list of all the issues that arise, nor can the Advisers anticipate all future situations. The guidelines cover such agenda items as the election of directors, ratification of auditors, management and director compensation, anti-takeover mechanisms, changes to capital structure, mergers and corporate restructuring, environmental and social issues, shareholder proposals, governance matters, proxy access and global corporate governance.

The Advisers will attempt to process every proxy they receive for all U.S. and non-U.S. securities. However, there may be situations in which the Advisers are unable to successfully vote a proxy, or choose to not vote a proxy, such as where: (i) a proxy ballot was not received from the custodian bank, (ii) a meeting notice was received too late, (iii) there are fees imposed upon the exercise of a vote and the Account's Adviser has determined that such fees outweigh the benefit of voting, (iv) there are legal encumbrances to voting, including blocking restrictions in certain markets that preclude the ability to dispose of a security if the Account's Adviser votes a proxy or where such Adviser is prohibited from voting by applicable law, economic or other sanctions or other regulatory or market requirements, including, but not limited to, effective powers of attorney, (v) additional documentation or the disclosure of beneficial owner details is required, (vi) the Account's Adviser

held shares on the record date but has sold them prior to the meeting date, (vii) proxy voting service is not offered by the custodian in the market, (viii) due to either system error or human error, the Account's Adviser's intended vote is not correctly submitted, (ix) the Account's Adviser believes it is not in the best interests of the Advisory Client to vote the proxy for any other reason not enumerated herein or (x) a security is subject to a securities lending or similar program that has transferred legal title to the security to another person.

Even if the Advisers use reasonable efforts to vote a proxy on behalf of their Advisory Clients, such vote or proxy may be rejected because of (i) operational or procedural issues experienced by one or more third parties involved in voting proxies in such jurisdictions, (ii) changes in the process or agenda for the meeting by the issuer for which the Account's Adviser does not have sufficient notice, or (iii) the exercise by the issuer of its discretion to reject the vote of an Account's Adviser. In addition, despite the best efforts of the Proxy Group and its agents, there may be situations where the Advisers' votes are not received, or properly tabulated, by an issuer or the issuer's agent.

In certain circumstances, the Advisers or their affiliates will, on behalf of one or more of the U.S. Registered Funds and Non-U.S. Registered Funds advised by the Advisers or their affiliates, determine to use their best efforts to recall any security on loan where the Advisers or their affiliates (i) learn of a vote on a material event that may affect a security on loan, and (ii) determine that it is in the best interests of such registered investment companies to recall the security for voting purposes. The Advisers will not generally make such efforts on behalf of other Advisory Clients, or notify such clients or their custodians that the Advisers or their affiliates have learned of such a vote.

The Proxy Group is responsible for maintaining the documentation that supports the Advisers' voting decision. Such documentation typically includes, but is not limited to, any information provided by Proxy Services and, with respect to any issuer that presents a potential conflict of interest, any board or audit committee memoranda describing the position it has taken. The Proxy Group will, from time to time, use an outside service such as a Proxy Service to support this recordkeeping function. All records will be retained in either hard copy or electronically for at least five years, the first two of which will be on-site at the offices of Franklin Templeton Companies, LLC. Advisory Clients may view an Adviser's complete proxy voting policies and procedures online at www.franklintempleton.com, request copies of their proxy voting records and the Advisers' complete proxy voting policies and procedures by calling the Proxy Group at 1-954-527-7678 or send a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group or, with respect to investors in Accounts managed by the K2 Advisers, by calling the K2 Investor Relations Group at 203-504-1407 or K2InvestorRelations@FranklinTempleton.com. For U.S. Registered Funds, an annual proxy voting record for the period ending June 30 of each year will be posted to www.franklintempleton.com no later than August 31 of each year. In addition, the Proxy Group is responsible for ensuring that the proxy voting policies, procedures and records of the U.S. Registered Funds are made available as required by law and is responsible for overseeing the filing of such U.S. Registered Fund voting records with the SEC.

Item 18 Financial Information

Not applicable.

FORM ADV PART 2A: FIRM BROCHURE APPENDIX

K2/D&S MANAGEMENT CO., L.L.C.

This appendix (this “**Appendix**”) provides additional information for K2/D&S Management Co., L.L.C. (the “**Adviser**”), and supplements the information about the Adviser provided in the corresponding items of the firm brochure of Franklin Templeton (the “**Primary Brochure**”). This Appendix must be read in conjunction with the Primary Brochure, which contains important information about the Adviser. To the extent any information in this Appendix is inconsistent with or conflicts with the information in the Primary Brochure, the information in this Appendix will supersede that of the Primary Brochure. For the avoidance of doubt, information in the Primary Brochure that is not relevant or applicable to the advisory services provided by the Adviser as described in Item 4 (“**Advisory Business**”) of this Appendix will not be applicable to the Adviser. Capitalized terms used in this Appendix but not defined herein will have the meanings assigned to them in the Primary Brochure.

Item 2 Material Changes

Please refer to Item 2 (“**Material Changes**”) of the Primary Brochure for material changes made on or after the date of the last annual update of the Adviser’s brochure through September 30, 2020, including that the presentation of the information in the Adviser’s brochure has been reformatted. In addition, the summaries below reflect other material changes specific to the Adviser made on or after the date of the last annual update of the Adviser’s brochure.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss – Revised to reflect that the Adviser’s ability to conduct on-site visits at a manager’s office may be limited or restricted by certain circumstances (for example, during the COVID-19 pandemic). Also updated, revised and removed certain investment-specific risks applicable to the Adviser’s significant investment strategies, including, among others, updating or adding risks regarding outbreaks, pandemics and other public health issues, derivatives usage, activist investing, risk of loss, and valuation risk.

Although there have been no other material changes, the Adviser has updated and revised certain disclosures relating to its business operations, particularly in the following areas:

Item 4: Advisory Services – Updated the Adviser’s assets under management.

Item 4 Advisory Business

INTRODUCTION TO K2/D&S MANAGEMENT CO., L.L.C.

The Adviser is a Delaware limited liability company formed on May 22, 1997 and is based in Stamford, Connecticut. The Adviser is a wholly-owned subsidiary of K2 Advisors Holdings, LLC, which is a wholly-owned subsidiary of Franklin Templeton Institutional, LLC, which is a wholly-owned subsidiary of Franklin Resources. The Adviser’s advisory business was launched in 1994 by the predecessor firm to the Adviser’s affiliate, K2 Advisors, L.L.C. (“**K2 Advisors**”).

ADVISORY SERVICES

The Adviser provides investment management advice and supervisory services to privately offered limited partnerships, limited liability companies, offshore corporations and other entities or accounts (“**Fund of Funds**”) typically organized to invest in a diversified group of other privately offered investment entities (“**hedge funds**”) that are managed by unaffiliated or, in certain instances, affiliated investment managers (the “**Underlying Managers**”). The Fund of Funds may invest in (i) concentrated portfolios of hedge funds that pursue similar strategies, (ii) a particular hedge fund managed by an Underlying Manager, (iii) managed accounts managed by Underlying Managers, (iv) alternative trading platforms, including Underlying Managers accessed through derivatives with returns linked to the Underlying Managers’ strategies, or (v) funds on one or more platforms

(“**Platform Funds**”) that are managed by the Adviser and sub-advised by an Underlying Manager. All such hedge funds, managed accounts and Platform Funds are referred to herein as “**Investment Funds**”. The Fund of Funds also may invest in other Private Funds or Registered Funds advised by the Adviser or affiliates of the Adviser. K2 Advisors, an affiliate of the Adviser that is also a registered investment adviser pursuant to the Advisers Act, serves as general partner or managing member to certain of the Adviser’s clients and, in such cases, has delegated a substantial part of its management activities with respect to such clients to the Adviser.

The Adviser also may advise certain other Private Funds or Accounts that invest directly in securities or other financial instruments including, but not limited to, futures, options, ETFs, debt and/or equity securities in the following strategies: beta replication (hedge fund replication), alpha replication, risk premia and/or risk mitigation strategies (such as conditional risk overlay, also referred to as the “**CRO Component**”) and a catastrophe bond strategy.

The Adviser is also the investment manager to U.S. Registered Funds. Each Registered Fund is a multi-manager fund that allocates its assets among multiple sub-advisors (each, a “**Sub-Advisor**”). Additionally, the Adviser is also investment manager to certain sub-funds of several Societe d’Investissement a Capital Variable, governed by the laws of the Grand Duchy of Luxembourg and the law of December 17, 2010 concerning collective investment undertakings (“**UCITS Funds**”) for which Franklin Templeton International Services S.A R.L., an affiliate of the Adviser, acts as management company. UCITS Funds are generally structured as either multi-manager funds that allocate their respective assets among multiple Sub-Advisors or as single-manager funds, where the Adviser serves as investment manager and investment advisory services are delegated by the Adviser to a Sub-Advisor.

In addition to commingled vehicles with multiple investors, the Adviser advises single-investor vehicles or accounts in which the single investor (or group of related investors) may help to define operating guidelines, investment objectives, investment guidelines and/or any investment limitations that the Adviser has individually agreed to as a condition of managing that vehicle or account (“**Single Investor Funds**”). The Adviser may also provide discretionary or non-discretionary advisory services to Sub-Advised Accounts, including the U.S. Registered Funds. In such a case, the Adviser’s client may either be the Sub-Advised Account itself or the manager of such Sub-Advised Account, which manager may be affiliated or unaffiliated with the Adviser, depending upon the structure of the sub-advisory relationship. The Sub-Advised Accounts, the Single Investor Funds, the Fund of Funds, the Private Funds, the Platform Funds, the U.S. Registered Funds and the UCITS Funds are herein collectively referred to as “**Accounts**.” Moreover, all references to “Accounts” in the Primary Brochure with respect to the Adviser shall refer to “Accounts” as defined in this Appendix.

The Adviser advises Platform Funds that are private funds, the investments of which are managed on a discretionary basis (directly or indirectly, as described below) by Sub-Advisors. Each Platform Fund on the platform consists of a “master-feeder” fund structure where one or more feeder funds invests all or substantially all of its assets into a master fund, which, in turn, invests such assets, as well as any subscription proceeds from direct investors in the master fund (if any), in accordance with the applicable investment objective, strategy and guidelines. On occasion, a Platform Fund may be “seeded” (e.g., initially invested in) by an affiliate of a Sub-Advisor. In addition, a platform service provider may provide certain operational, risk-monitoring and other services to each Platform Fund.

Generally, the investment objectives, guidelines and restrictions for Accounts will not be tailored to the needs of any particular investor in such Accounts; however, in the case of Single Investor Funds, the needs and input of the single investor (or group of related investors) may be used to tailor the investment objective, guidelines and restrictions governing that Single Investor Fund’s investment activities and operations.

ASSETS UNDER MANAGEMENT

As of September 30, 2020, the Adviser managed the following amounts on a discretionary and non-discretionary basis:

	U.S. Dollar Amount
Discretionary	\$ 11,080,904,715
Non-Discretionary	\$ 0
Total	\$ 11,080,904,715

Assets under management described in this item may include assets that an affiliated adviser is also reporting on its Form ADV.

Item 5 Fees and Compensation

TIMING AND PAYMENT OF ADVISORY FEES

Investment management fees may be calculated and paid quarterly in advance or in arrears, as specified in each Account's constituent documents. However, investment management fees for the Platform Funds may be accrued daily, weekly or monthly depending on the Platform Fund, and are typically paid monthly in arrears. As detailed in the relevant Account's offering documents, management fees may be calculated based on net asset value prior to a deduction of applicable platform service provider fees and sub-advisory fees and incentive compensation. In addition to the management fee paid to it, the Adviser or K2 Advisors may receive performance-based compensation from certain Accounts, in the form of a performance fee or incentive allocation which entitles the Adviser to a percentage of the net profit of the Account, or series of shares or interests therein, during the performance period, subject to a loss-carryforward or "high water mark" as specified in the relevant Account's offering documents. The percentage of the performance fee or incentive allocation may vary among Accounts and among classes of shares or interests within an Account, and certain classes of shares or interests within an Account may not pay an incentive allocation while others do.

If an investor in a share class of an Account that is subject to a performance fee or other performance-based compensation redeems all or part of its shares in the Account other than as of a date the performance fee or other performance-based compensation is calculated, such compensation is paid with respect to the redeemed amount at the time of the redemption. Performance fees or other performance-based compensation are paid by an Account following the calculation of its net asset value for the relevant period.

The amount of, and terms governing, any performance fee or other performance-based compensation that the Adviser may receive from a Single Investor Fund or Sub-Advised Account are negotiated on a case-by-case basis. The fees vary depending on the size of mandate, scope of services, client service and reporting, the type of strategy and any unusual features of the arrangement between the Adviser and the applicable Single Investor Fund or Sub-Advised Account.

OTHER FEES AND EXPENSES

When an Account invests in an Affiliated Fund, such Account will typically not pay management fees or performance fees or make an incentive allocation to the underlying Affiliated Fund with respect to such investment, unless the Client (or investors therein) have been provided disclosure regarding such compensation arrangements that may involve fees charged both with respect to advisory services provided to the Account and fees received by the Adviser or its affiliates for management of the Affiliated Fund. Where an Account invests in an Affiliated Fund, the Account will indirectly bear its pro rata share of the expenses of such Affiliated Fund as an investor therein. In addition, each Account that invests in Investment Funds also indirectly bears its pro rata share of the expenses of each Investment Fund in which that Account invests.

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

The Adviser may receive performance-based compensation from certain Accounts and/or certain classes of shares within Accounts (excluding U.S. Registered Funds and UCITS Funds). In addition, certain U.S.-based Accounts will pay an incentive allocation to K2 Advisors instead of a

performance fee or other performance-based compensation to the Adviser. Such an allocation made to an affiliate creates similar conflicts of interests as those discussed in Item 6 of the Primary Brochure.

Item 7 Types of Clients

The Adviser provides investment advisory and portfolio management services to Fund of Funds, other Private Funds, Single Investor Funds, Sub-Advised Accounts, Platform Funds, as well as U.S. Registered Funds and UCITS Funds. Investors in these Accounts may include, without limitation, trusts and estates, public and private pensions or profit sharing plans, corporations, non-U.S. and state and municipal government entities, other business entities, high net worth individuals, or certain of the Adviser's employees. The Adviser's Single Investor Funds are generally established for entities rather than individuals but could be established for qualified individuals.

In many cases, each Account (other than the U.S. Registered Funds and the UCITS Funds) requires a minimum initial investment amount. These minimums generally range from \$100,000 to \$5,000,000 (but may be more or less), depending upon the Account and class or tranche of shares or interests. Subject to applicable law, the Adviser maintains discretion to accept less than the minimum initial investment amount with respect to any Account investor. The minimums for investment in each class of shares in each U.S. Registered Fund and each UCITS Fund are set forth in the applicable prospectus.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

The Adviser primarily provides investment advisory and management services to the Accounts. As such, the Adviser utilizes various quantitative and qualitative research techniques to evaluate Investment Funds and their Underlying Managers and to assess whether such funds should be considered for inclusion in Account portfolios, and to evaluate an investment adviser as a potential Sub-Advisor to a Platform Fund or as a Sub-Advisor to a portion of a U.S. Registered Fund or UCITS Fund for which the Adviser serves as investment adviser. Certain Accounts advised by the Adviser engage in beta fund replication (including hedge fund replication), alpha replication, risk premia and/or risk mitigation strategies (*i.e.*, the CRO Component) and a catastrophe bond strategy, by investing in financial instruments including, futures, options, over-the-counter ("**OTC**") derivatives, ETFs debt and/or equity securities.

To the extent that the Accounts pursue their investment objectives by investing in Investment Funds, the Adviser evaluates the Investment Funds and the Underlying Managers through an investment due diligence process that generally includes interviews in the managers' offices, phone interviews, and analysis of documents or data provided by the managers and third parties. Each manager's investment strategy, portfolio management skills, performance, and operations are analyzed. Investment Funds and Underlying Managers generally are monitored through contact in their offices, phone calls and electronic communications. To the extent that the Adviser's ability to conduct on-site visits at a manager's office is limited or restricted by certain circumstances, for example, during a pandemic, the Adviser may determine to conduct such interviews or meetings by telephone or video conference during such period and resume on-site visits within a reasonable time of the cessation of such limitations or restrictions. In addition, where an Account invests in funds registered with the SEC pursuant to the 1940 Act or UCITS funds, the Adviser's investment due diligence process with respect to investing in such funds will be different than the process described above regarding Investment Funds and generally will be more limited in scope.

In seeking to achieve Accounts' performance objectives, the Adviser's investment research, portfolio construction, and risk management teams utilize a variety of tools and processes with the objective of determining an individual Underlying Manager's ability to generate appropriate risk-adjusted returns. The Adviser's investment process combines top-down quantitative portfolio construction with qualitative bottom-up manager inputs. Various groups within the Adviser including Research, Portfolio Construction, Risk, Operational Due Diligence and Legal may work jointly and/or independently as the Underlying Manager moves through the due diligence process.

Despite the qualitative and quantitative analyses that the Adviser performs on Underlying Managers, it is possible that the Adviser may recommend an Investment Fund that ultimately fails and incurs losses for the invested Accounts. Further, it is possible that the various quantitative and qualitative tools used by the Adviser in the portfolio construction process result in Accounts that do not achieve their respective investment objectives or, in fact, result in a complete loss of invested capital.

With respect to the Platform Funds, the U.S. Registered Funds, and the UCITS Funds, where the Adviser appoints a Sub-Advisor, the Adviser identifies and selects each Sub-Advisor based on its due diligence process as described above. On an ongoing basis, the Adviser monitors the investment activities of each portfolio managed by a Sub-Advisor. This monitoring includes the Adviser's review of holdings level and risk reports, risk management and oversight of the Sub-Advisor's adherence to investment guidelines established by the Adviser in consultation with the relevant Sub-Advisor. The Adviser may engage a platform and/or risk service provider to assist in the monitoring of investment guidelines and to provide certain risk measurement and analytics services. In addition, the Adviser performs ongoing due diligence with respect to certain aspects of a Sub-Advisor's operations that the Adviser believes may impact the integrity, performance and risk characteristics of a portfolio. The Adviser may utilize outside consultants, accountants, calculation agents, administrators and/or in-house operations in order to perform its ongoing due diligence and monitoring functions. The Adviser may appoint affiliates as Sub-Advisors for the Platform Funds, the U.S. Registered Funds, and the UCITS Funds. In cases where the Sub-Advisor is an affiliate of the Adviser, the due diligence and ongoing monitoring processes of such Sub-Advisor may differ from the processes applied to unaffiliated Sub-Advisors. The Adviser will have a conflict of interest in selecting and making allocation decisions with respect to affiliated Sub-Advisors.

To the extent that the Adviser pursues investment strategies, including hedge fund replication, beta replication, alpha replication, risk premia and/or risk mitigation strategies (*i.e.*, the CRO Component), on behalf of Accounts by investing in financial instruments such as, but not limited to, futures, options, OTC derivatives, ETFs and/or equity securities, the Adviser's methods of analysis will differ. Methods for evaluating these types of investments typically focus on quantitative techniques that seek to identify relationships between hedge fund returns and broad market or economic factors. Other research methods include reviewing public regulatory filings of hedge fund managers selected by the Adviser in its sole discretion, some of which may or may not be held in Accounts managed by the Adviser. The Adviser manages the catastrophe bond portfolio based on a set of parameters that are intended to narrow the universe of catastrophe bonds through a screening and scoring process. This process is based on multiple factors, including data obtained from third-party data, pricing and risk modeling sources. The Adviser may execute trades directly for these Accounts or it may rely on affiliates as described in the "Services of Affiliates" section contained in Item 4 of the Primary Brochure.

Investing in securities involves a risk of loss that investors in Accounts should be prepared to bear. There are material risks associated with the fund of funds structure and with the investment strategies employed by the managers of the Investment Funds. Some of these risks are described below.

INVESTMENT STRATEGIES

Underlying Managers or Sub-Advisors may invest in a broad range of transactions and/or utilize a wide variety of investment strategies and sub strategies, including, but not limited to, the following:

- Long/Short Equity
- Equity Market Neutral
- Specialist Credit/Distressed
- Structured Credit
- Relative Value
- Event-Driven
- Multi-Strategy
- Discretionary and Systematic
Commodity Strategies
- Currency
- Short Selling
- Non-U.S. Securities
- Arbitrage Trading
- Distressed and Hedged
Distressed
- Convertible Arbitrage
- Equity Volatility Arbitrage
- Fixed Income Arbitrage
- Merger and Risk Arbitrage
- Credit Arbitrage

- Variable-Bias Long-Short Equity
- Hedged Equity
- Global Macro
- Managed Futures
- Bank Debt and High Yield Investing
- Catastrophe and other Insurance Linked Strategies
- Tail Risk
- Long Only

The Adviser may advise certain Accounts that invest directly in securities or other financial instruments, including, but not limited to, futures, options, OTC derivatives, ETFs, debt and/or equity securities in the following strategies: alpha replication, beta replication, risk premia and/or risk mitigation strategies (i.e., the CRO Component), and a catastrophe bond strategy.

INVESTMENT RISKS

Particular investment strategies or investments in different types of securities or other investments involve specific risks, including risk of loss, that clients should be prepared to bear. The risks involved, and their degree of significance, for different Accounts or Investment Funds will vary based on each client's or Investment Fund's investment strategy and the type of securities or other investments held in the Account or Investment Fund. The following is a list of certain of the material risks, listed alphabetically, related to the significant investment strategies used by the Adviser or the Underlying Managers. Not all possible risks are listed below. Please refer to Item 8 ("Methods of Analysis, Investment Strategies and Risk of Loss") of the Primary Brochure for the descriptions of each risk listed below. For purposes of the descriptions of each risk listed below found in the Primary Brochure, references to the "Advisers" include Underlying Managers as the context requires.

- Alpha Replication Strategies
- Asset Allocation
- Beta Replication Strategies
- Collateralized Debt Obligations
- Concentration
- Convertible Securities
- Credit
- Credit Facilities
- Currency Management Strategies
- Cybersecurity Risks
- Debt Securities
- Derivative Instruments
- Developing and Emerging Market Countries
- Distressed Credit
- Equity Securities
- Floating Rate Corporate Investments
- Forward Trading
- Futures
- Highly Volatile Markets
- High-Yield Debt Securities
- Illiquidity of Underlying Funds
- Inflation
- Infrastructure, Energy and Power-Related Companies
- Interest Rate
- Investing in ETFs
- Investing in Underlying Funds
- Leverage
- Liquidity
- Management
- Market
- Merger Arbitrage Securities
- Mortgage Securities
- Multiple Layers of Fees Charged to Fund of Funds
- Non-Diversification
- Non-U.S. Securities
- Options
- OTC Transactions
- Outbreaks, Pandemics and Other Public Health Issues
- Portfolio Turnover
- Private Investments in Public Equities ("PIPEs")
- Quantitative Model Risk
- Relative Value Strategies
- Risk of Loss
- Risk Premia Investing
- Short Selling Risk
- Smaller and Midsize Capitalization Companies
- Swaps
- Unlisted Securities

In addition to the foregoing, the Adviser's clients are subject to additional risks due to the Adviser's multi-manager approach and use of Platform Funds. Such additional risks include, but are not limited to, the following, listed alphabetically.

Activist Investing – The success of an Account's activist investing depends on the Underlying Managers successfully influencing management of the target companies to undertake specific steps to increase shareholder value, including by seeking board representation. If an Underlying Manager is unsuccessful in influencing management of a company (and even if it is successful in influencing management), the market price of the securities purchased may decline sharply and result in losses to the company. These investments typically require a more significant commitment, both in terms of size and holding period, than other investments. In addition, activist situations often involve litigation, which can be costly and time-consuming for the company invested into and potentially the Investment Fund. Moreover, when an Underlying Manager becomes involved in discussions with a vulnerable company, it may gain access to material non-public information, which may make it difficult for the Investment Fund to make a public investment. At the same time, an Investment Fund may encounter difficulties in negotiating private investments with these companies when they are subject to other activist investor activity, particularly if the other activist investors are hostile.

Changes in Investment Approach – A Sub-Advisor's investment approach may be dynamic and can be expected to change over time, subject to the investment guidelines, as may be amended from time to time as agreed by the Sub-Advisor, the Adviser and the applicable master fund. Thus, a Sub-Advisor may not use the same investment approach in the future that it used in the past. The specific details of a Sub-Advisor's investment approach are proprietary; consequently, the Account will not be able to determine the full details of those methods, or whether those methods are being followed.

Limitations under the ESG Investment Restrictions May Impact Performance and Limit Investment Strategies and Opportunities – Certain Sub-Advisors have agreed to abide by certain socially responsible investment restrictions relating to tobacco and controversial weapons (the “**ESG Investment Restrictions**”). The ESG Investment Restrictions prohibit investments, in, among other things, entities whose primary business is the production of tobacco products and entities or assets associated with the use, stockpiling, acquisition, transfer, retention, development or production of controversial weapons, including cluster munitions, chemical weapons, anti-personnel mines and bacteriological and toxin weapons. The ESG Investment Restrictions may limit the universe of securities that an Account may trade and hold. To the extent that an Account's portfolio is limited or altered by the ESG Investment Restrictions, such restrictions may adversely affect the Account's investment performance. In addition, certain sectors (e.g., health care) may be so greatly impacted by the ESG Investment Restrictions that investments in such sectors may not be feasible. Moreover, there can be no assurance that an Account will always comply with the ESG Investment Restrictions. In the event of non-compliance, the applicable Account will endeavor to liquidate the relevant positions as soon as commercially practicable and on a basis otherwise in the best interests of the Account.

Multiple Portfolio Managers – The Adviser typically employs a multi-manager strategy and each Investment Fund trades or will trade independently of the others. There can be no assurance that the use of a multi-manager approach will not result in losses by certain of the Investment Funds offsetting any profits achieved by others. Such offsetting could result in a significant reduction in an Account's assets, as incentive fees may be allocable to those Underlying Managers that recognized profits irrespective of the offsetting losses. Various Investment Funds will, from time to time, compete with the others for the same positions. Conversely, opposite positions held by the Investment Funds will be economically offsetting.

Managed Account Allocations – The Adviser may place Account assets with Underlying Managers through opening managed accounts rather than investing in underlying hedge funds. Managed accounts expose an Account to theoretically unlimited liability, so that if an Underlying Manager uses leverage, the Account could lose more in a managed account directed by a particular Underlying Manager than the Account had allocated to such Underlying Manager. The Adviser may attempt to insulate Accounts from such risk by allocating assets through a single member limited liability company or other special purpose vehicle, but it will not always be possible to do so and the Adviser may elect not to do so.

Non-compliance with Investment Guidelines and Sub-advisory Agreement – Although the Adviser, with support from a platform service provider, will monitor the compliance of the applicable

Sub-Advisor with a Platform Fund's investment guidelines and certain other material provisions of the applicable sub-advisory agreement, there can be no assurance that the Sub-Advisor will, in fact, comply with the sub-advisory agreement or will otherwise be successful in its management of the master fund's assets. Any breach of the sub-advisory agreement, failure to follow agreed-upon investment strategies or other misconduct on the part of the Sub-Advisor or its key personnel could result in losses to the master fund and the feeder fund(s). While the Adviser will monitor investments made by Sub-Advisors, the Adviser will not have any control over the investment decisions made by any Sub-Advisor. Because the Sub-Advisors trade on a fully discretionary basis, a master fund's trading results, apart from normal market risk, depend entirely upon the applicable Sub-Advisor's abilities and efforts.

Other Funds and Accounts Advised by a Sub-Advisor – Each Sub-Advisor manages other funds and accounts (including certain funds with strategies substantially similar to the applicable master fund), some of which a Sub-Advisor may have incentives to favor over the applicable master fund. The Sub-Advisors generally are not subject to any absolute restrictions on taking new accounts, which could increase the competition for their time and adversely impact the applicable master fund's performance. Other Accounts may also invest in funds or accounts managed by a Sub-Advisor, and Accounts may engage Sub-Advisors to manage their assets or otherwise allocate capital to a Sub-Advisor separately from the applicable master fund, and may engage the Sub-Advisor to pursue a substantially similar or different investment strategy.

Performance May Differ from Other Accounts – Unless specifically stated in the applicable explanatory memorandum for a Platform Fund (each, an **"Explanatory Memorandum"**), the performance of a Platform Fund is not designed to specifically track the performance of other funds or accounts managed by the corresponding Sub-Advisor. Even to the extent the strategy of a Platform Fund is designed to be similar or even the same as any other fund or account managed by the Sub-Advisor, a number of factors may cause the performance of the Platform Fund to be substantially different than the performance of such other funds and accounts managed by the relevant Sub-Advisor, including another Account which the relevant Sub-Advisor serves as sub-advisor (each, a **"Related Account"**). Such factors may include, but are not limited to: (i) differences in net asset values, including the impact of timing of subscriptions and redemptions, and varying expense ratios, (ii) economic and market factors, which may affect the Platform Fund differently, (iii) the use of different trading counterparties, differences in the fees, commissions charged by such trading counterparties and different dividend accounting treatment, (iv) differences in permitted underlying securities and investment guidelines, (v) differences in leverage limits, valuation methodologies and liquidity, and (vi) changes in the trading strategies of a Related Account and the Platform Fund over time.

Position Limits and Allocation Risk – Each Account's investment performance depends upon how its assets are allocated and reallocated, and an investor could lose money on its investment in an Account 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 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). The Adviser currently trades for multiple Accounts and, therefore 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 these other Accounts may also 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 Adviser may take for its Accounts and may cause the Adviser to close out positions earlier than it might otherwise choose to do so. From time to time, the Adviser may determine to trade different contracts in differing amounts, in order to avoid violating such position limits.

Reliance on Underlying Managers. Although the Adviser monitors the performance of each investment, the Adviser will rely upon the Underlying Manager of an Investment Fund for day-to-day trading and operations of those investments, and the Adviser may be unable to determine whether an Investment Fund or Underlying Manager is following the investment program described in the Investment Fund's offering documents or the managed account agreements.

Risk of Misconduct by Sub-Advisors – The Adviser will not have any ability to monitor whether a Sub-Advisor is engaging in illegal activities or other types of misconduct (other than by monitoring the platform service provider's monitoring of the Sub-Advisor's compliance with the applicable investment guidelines). A Sub-Advisor may have motivations to engage in illegal activities that may be materially detrimental to a Platform Fund. By way of example, some hedge fund managers have been found to seek to obtain informational advantages through illicit means such as insider trading. A Sub-Advisor's principals may also have the opportunity and incentive to put their personal interests ahead of a Platform Fund's interests. While the Platform Funds' accounts with custodians and brokers will be established in a manner that seeks to limit a Sub-Advisor's ability to misappropriate a Platform Fund's assets, this risk cannot be eliminated completely. In addition, while each master fund will be subject to specific investment guidelines and restrictions, and while the Adviser and the platform service provider will monitor the Sub-Advisor's compliance with the investment guidelines set forth in the applicable sub-advisory agreement, there is no assurance that the Sub-Advisor will manage a master fund's investments in a manner consistent with the description in the corresponding Explanatory Memorandum or will not engage in illicit or illegal activity. Furthermore, the information contained in the Explanatory Memorandum prepared for each Platform Fund will largely be based on information provided by the Sub-Advisor. While the Adviser will seek to perform all appropriate due diligence on each Sub-Advisor to verify the accuracy of such information, no assurance can be given that a Sub-Advisor will provide accurate information or that the Adviser will be able to determine whether such information is, in fact, accurate.

Voluntary Termination of the Sub-advisory Agreement – A Sub-Advisor, the Adviser or the corresponding master fund may voluntarily terminate the sub-advisory agreement upon prior written notice to the other parties thereto. The parties may also terminate the sub-advisory agreement generally with immediate effect following the occurrence of certain specified events. Any such termination will generally result in termination of the applicable master fund and could adversely affect the value of its assets. Further information regarding each sub-advisory agreement is set forth in the applicable Explanatory Memorandum.

In addition to the risks described above, the following detail certain additional risks associated with the Adviser's direct trading activities and strategies specifically.

Catastrophe Bonds and Insurance Linked Securities. The Adviser advises an Account that invests in catastrophe bonds or similar instruments, the investment returns of which are related to the frequency and severity of catastrophic or other events which traditionally are the subject of insurance. Such instruments, including insurance-linked securities, are subject to risks specific to those industries, some of which are summarized below. The unpredictable nature of catastrophic losses makes it difficult to determine whether a particular insurance-linked instrument is fairly priced in the ordinary course of trading to the extent that any such trading takes place. The valuation models used in the insurance-linked instrument markets attempt to simulate fundamentally unpredictable events (such as earthquakes or hurricanes), and there could be periods of time when trading ceases or is interrupted as a result of the markets' inability to value the instruments. The incidence and severity of such catastrophes are inherently unpredictable and the Account's losses from catastrophes could be substantial. Changing weather patterns and climatic conditions, such as global warming, may have added to the unpredictability and frequency of natural disasters in some parts of the world and created additional uncertainty as to future trends and exposures.

Ownership of insurance-linked or catastrophe securities involves a degree of risk because of a number of characteristics that may be common to such securities, such as the following:

The issuers of such securities often are thinly capitalized, newly formed, special-purpose entities that do not have access to additional capital. In the event of unanticipated expenses or liabilities, such entities may not have the resources available to pay such expenses or liabilities or the required interest and/or principal on their issued securities.

The ability of issuers of insurance-linked or catastrophe-linked securities to provide the expected investment returns on their issued securities is based in part on such entities' investments, which may be subject to credit default risk, interest rate risk and other risks.

Entities that issue insurance-linked or catastrophe-linked securities may be subject to substantial regulation of their insurance and other activities. Such regulation can lead to unanticipated expenses that may result in such an entity being unable to satisfy its obligations, including those related to its issued securities. Conversely, because such entities often are domiciled in non-U.S. jurisdictions, such entities may not be subject to the same degree of regulatory oversight to which investors may be accustomed to seeing issuers and insurance companies subject in the U.S. Similarly, because such entities often are subject only to the laws of non-U.S. jurisdictions, it could be difficult for an investor in such an entity to make a claim or enforce a judgment against the entity or its directors or officers.

Catastrophe securities often are subordinated to other obligations of the issuer, such as those obligations to a ceding insurer. Consequently, if such an entity incurs unexpected expenses or liabilities in connection with its activities, the entity may be unable to pay the required interest and/or principal on its issued securities. In particular, catastrophe bonds are issued without recourse. As a result, if an issuer of a catastrophe bond defaulted on its obligations under the catastrophe bond, the Account would have no recourse to recover any amount of the principal invested to purchase the catastrophe bond.

Insurance-linked or catastrophe securities may receive low ratings or be unrated by rating agencies. Consequently, such securities may be relatively illiquid and subject to adverse publicity and investor perceptions, any of which may act to depress prices.

CRO Component – The Adviser will, from time to time, implement a CRO Component for an Account in an effort to mitigate or otherwise hedge undesirable portfolio sensitivities in its portfolio of Investment Funds. The Adviser may implement this strategy by investing and trading directly in a wide range of derivative contracts, including options, futures, swaps, forwards, and other instruments. These instruments are subject to substantial risks, as described herein. There can be no assurance that the Adviser's efforts in implementing the CRO Component will be successful or that the CRO Component will mitigate risks as intended or avoid significant losses. The Adviser will employ certain factor sensitivity analyses on an aggregate portfolio and then attempt to hedge these sensitivities to the extent these sensitivities are deemed undesirable. However, due to a variety of factors, the results of the sensitivity analyses could be inaccurate, which could lead the Account to pursue hedging transactions it otherwise would not pursue or cause the Account not to pursue a hedging opportunity when it otherwise would, resulting in losses. In addition, the CRO Component's hedging transactions are primarily intended to mitigate risks inherent in investment in a portfolio of Investment Funds and not for speculation; accordingly, even if the sensitivity analyses are accurate and the CRO Component's hedging transactions effectively mitigate market sensitivities, the hedging transactions may incur losses due to market movements. Furthermore, to the extent the Adviser is expressing a directional view on the market under the CRO Component, its market outlook could be incorrect, exposing an Account to losses. The CRO Component will involve leverage embedded in the futures and derivatives instruments used. Losses incurred on the positions increase in direct proportion to the degree of leverage employed. The Adviser's ability to implement the CRO Component for an Account is dependent upon receiving accurate and timely information from the Investment Funds and their Underlying Managers.

Item 10 Other Financial Industry Activities and Affiliations

RELATED BROKER-DEALERS

One or more of the Adviser's management persons are registered with FINRA as a registered representative of an affiliated broker-dealer of the Adviser.

CFTC REGISTRATIONS

The Adviser is a member of the NFA and is registered with the CFTC as a CTA. However, the Adviser is generally exempt from the CFTC's disclosure and recordkeeping requirements applicable to registered CTAs under various exemptions on which it relies, including, but not limited to, CFTC Rule 4.7.

Certain of the U.S. Registered Funds and Private Funds managed by the Adviser are commodity pools for which the Adviser is the commodity pool operator ("**CPO**"). As the CPO for certain U.S. Registered Funds, the Adviser is either (i) registered as a CPO with the CFTC, or (ii) excluded from the need to register and the related requirements, pursuant to Rule 4.5 under the Commodity Exchange Act ("**CEA**") or other provisions under the CEA and the rules of the CFTC. As the CPO for certain Private Funds, the Adviser is either (i) registered as a CPO, but exempt from certain reporting, recordkeeping and disclosure requirements pursuant to Rule 4.7 under the CEA or (ii) exempt from the need to register and related requirements pursuant to CEA Rule 4.13(a)(3) or other provisions under the CEA and the rules of the CFTC. [The Adviser's activities as a CPO or a CTA enable the Adviser to use commodities as part of certain Private Funds' and Registered Funds' investment strategies and do not pose a conflict with the Adviser's investment advisory business.]¹

In addition, certain of the Adviser's management persons are registered as associated persons of the Adviser to the extent necessary or appropriate to perform their responsibilities, and/or as associated persons of an affiliated entity that is registered with the CFTC as a CPO and/or a CTA.

K2 Advisors Holdings, LLC Control Affiliates

The Adviser has certain affiliates which are under the common control of K2 Advisors Holdings, LLC.

K2 Advisors Holdings, LLC is an entity formed to facilitate a reorganization of the equity ownership of the Adviser and K2 Advisors. K2 Advisors Holdings, LLC is a passive holding vehicle and does not provide services to any Account or manage or advise clients of its own. K2 Advisors Holdings, LLC is wholly owned by Franklin Templeton Institutional, LLC, which is a wholly-owned subsidiary of Franklin Resources, Inc. and is registered as an investment adviser with the SEC.

K2 Advisors, L.L.C., a Delaware limited liability company, is wholly owned by K2 Advisors Holdings, LLC, which also wholly owns the Adviser. K2 Advisors is also registered with the SEC as an investment adviser and with the CFTC as a CPO and CTA. K2 Advisors generally serves as the general partner or member manager of U.S.-domiciled Accounts for which the Adviser serves as the management company. As noted in Item 6 above, K2 Advisors receives an incentive allocation from certain of the Accounts. Accounts paying K2 Advisors an incentive allocation will not pay the Adviser a performance fee. K2 Advisors and the Adviser share common offices. Employees of the Adviser and other affiliates support the activities of K2 Advisors.

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

Cross Trades

As an adviser to Fund of Funds, the Adviser will from time to time engage in cross trades for certain Fund of Funds. In such transactions, the Adviser has a fiduciary duty to each Account to execute such trades at a fair price and to act in the best interests of all Accounts involved in a cross trade. The Adviser may engage in such transactions in circumstances when the Adviser wishes to reduce the investment of one or more Fund of Funds in an Investment Fund and increase the investment of other Fund of Funds in such Investment Fund, in order to re-balance portfolios, provide better

¹ NTD: To consider adding to FAV appendix.

liquidity to the Fund of Funds involved, or to allocate *de minimis* Investment Fund allocations from a large Fund of Funds to another smaller Fund of Funds. Any such purchase and sale will take place at the stated net asset value of the Investment Fund being purchased or sold, or other value determined in accordance with the Adviser's valuation policies and the Adviser will not charge any additional fee for arranging the cross trades.

With respect to the Platform Funds, a Sub-Advisor may be permitted to engage in cross trades to the extent that such cross trades are executed at market price and are in the best interests of the particular Platform Fund. Pursuant to the applicable sub-advisory agreement, a Sub-Advisor must obtain the prior written consent of the applicable master fund before entering into any cross trades (or principal transactions) with the master fund.

Item 12 Brokerage Practices

BEST EXECUTION

The Adviser's Accounts generally invest in hedge funds through private transactions and, with the exception of hedge fund, beta and alpha replication strategies and certain risk mitigation strategies utilized by the Adviser which may involve investing in futures, options, ETFs and equities, do not use broker/dealers to effect securities transactions. With respect to those Accounts which primarily invest in Investment Funds, securities execution decisions within the Investment Funds are made by the Underlying Managers, who themselves arrange for the placement of buy and sell orders and the execution of portfolio transactions on behalf of those Investment Funds. For the trading activity in U.S. Registered Funds, the U.S. Registered Funds and each of the Sub-Advisors to the U.S. Registered Funds has adopted brokerage policies and procedures which apply to the U.S. Registered Fund's trading activities. The trading activity in a Platform Fund is subject to the brokerage policies and procedures adopted by the Sub-Advisor to such Platform Fund.

When the Adviser engages in direct trading, it determines the broker/dealer and/or futures commission merchant to be used by certain Accounts and the commission rates or spread to be paid to such broker/dealer or futures commission merchant as applicable. Direct trading occurs as previously described in the beta and alpha replication, risk mitigation programs, hedge fund replication strategy and with respect to the catastrophe bond fund. In addition, in very limited circumstances, if an Investment Fund has distributed securities to an Account instead of cash in satisfaction of all or part of a redemption or withdrawal from the Investment Fund, the Adviser would select a broker to effect the sale of such securities without obtaining consent from investors in such Account. The Adviser may, in other specific circumstances, select a broker to effect a transaction on behalf of a Single Investor Fund if instructed to do so by the investor in that Fund. In making such selection, the Adviser considers the commission charged by such broker and such broker's ability to timely execute the requested transaction.

With respect to the Platform Funds, each master fund utilizes a range of executing brokers, introducing brokers, prime brokers, dealers, custodians, tri-party custodians, banks and other financial institutions, counterparties and/or futures commission merchants and clearing firms (collectively, "**brokers**") to execute and clear transactions for such master fund. Generally, the Sub-Advisor for a master fund may recommend the brokers to be utilized by such master fund subject to the approval of the Adviser and may execute with various executing brokers (subject to the Adviser's approval); however, the Sub-Advisor will not establish any prime brokerage, futures and options clearing or ISDA arrangements for the master fund without the Adviser's consent. One or more brokers may be affiliates of a platform service provider. Generally, in each Platform Fund sub-advisory agreement, the applicable Sub-Advisor agrees not to accept any "soft dollar" services that fall outside of the "safe harbor" for fiduciaries' use of "soft dollar" services established by Section 28(e) under the Securities Exchange Act of 1934.

ALLOCATION OF TRADES FOR FUND OF FUNDS

If the Adviser determines that more than one Account should purchase or sell interests or shares in the same Investment Fund at the same time, the Adviser will use its best efforts to allocate these

purchases and sales equitably among the applicable Accounts after consideration of certain factors, including the following: investment objectives and restrictions, cash available for investment in each account, investment focus and other investment considerations, relative risk position, existing portfolio composition and applicable industry, sector, or capitalization weightings, and such other reasonable factors that the Adviser, in its discretion, may consider appropriate.

The Adviser has a fiduciary obligation to use its best efforts to ensure that no Account is treated unfairly in relation to any other Account in the allocation of securities or the order of the execution of transactions over time (in individual instances some degree of differential treatment may be desirable and/or a practical necessity). The Adviser will not allocate trades based on an Account's performance or fee structure.

In the case where there is limited capacity to invest in an Investment Fund, or a limit on the amount of a position that may be sold or on the amount that may be redeemed from a particular Investment Fund at any point or over time, it is the Adviser's policy to use its best efforts to allocate, on a pro rata basis, capacity, sales or redemptions to all appropriate Accounts based on, in the case of contributions, the amount of cash available for investment by appropriate Accounts, and, in the case of redemptions or sales, on the amount of securities or other interests owned by all appropriate Accounts; provided, however, that the Adviser's allocation policy allows for allocations to be made on other than a pro rata basis taking into consideration the factors described above. Capacity may also be limited if the Adviser determines to place a ceiling on the amount of total capital it wishes to invest in a particular Investment Fund (including Platform Funds), or if the Underlying Manager of the Investment Fund restricts the amount that Accounts may invest in the Investment Fund at any point in time or over time. Appropriateness is determined by reference to the considerations listed above.

Item 13 Review of Accounts

For Accounts where the Adviser has appointed a Sub-Advisor with respect to all or a portion of the Account's assets, including certain Platform Funds, U.S. Registered Funds and UCITS Funds, the Adviser monitors on an ongoing basis the investment activities of the Sub-Advisor through its receipt of holdings level and risk reports. This monitoring occurs as part of the Adviser's risk management and oversight of the Sub-Advisor's adherence to the investment guidelines established by the Adviser in consultation with the Sub-Advisor. Additionally, the Adviser may engage a platform or risk service provider to assist in the monitoring of investment guidelines and providing of certain risk measurement and analytics services.

Item 16 Investment Discretion

The Adviser has investment discretion for all its Private Funds, including its Fund of Funds, and has discretionary authority over certain, but not all, of the Single Investor Funds and Sub-Advised Accounts. In the case of the U.S. Registered Funds and the UCITS Funds, the Adviser has delegated investment discretion to multiple Sub-Advisors. In the case of a Platform Fund, the Adviser delegates to the Sub-Advisor investment discretion over substantially all of the applicable master fund's assets, although for certain Platform Funds, the Adviser will retain investment discretion over a portion of a master fund's assets to perform cash management.

Item 17 Voting Client Securities

PROXY VOTING POLICIES & PROCEDURES

The Adviser has limited its delegation of administrative duties with respect to proxy voting to the Proxy Group to only those equity securities in Accounts that engage in direct trading.

With respect to the Fund of Funds portfolios, the Adviser does not anticipate owning any equity securities granting it or its Fund of Funds clients the right to vote proxies on a regular basis; however, the Adviser maintains proxy procedures for consideration and voting on proposals from underlying funds. The Adviser will assess each proxy vote according to the matter the proxy vote relates. Each underlying fund proposal will be considered on its own merits, and an independent determination made whether to consent or oppose the proposal. The Adviser's proxy policies and

procedures are reasonably designed to ensure that proxies are voted in the best interest of the Adviser's clients, after taking into consideration all relevant facts and circumstances at the time of the vote, and in accordance with the Adviser's fiduciary duties and applicable regulations.

In the case of the U.S. Registered Funds, the UCITS Funds and the Platform Funds, the Adviser has delegated to each Sub-Advisor the responsibility to vote all proxies in accordance with the respective Sub-Advisors' proxy voting policies. To the extent the trading authority for an account has been delegated to an unaffiliated investment manager, proxy voting authority is typically delegated to such unaffiliated investment manager.