

# INCOME RESEARCH + MANAGEMENT

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This brochure provides information about the qualifications and business practices of Income Research & Management (referred to in this brochure as “IR+M”, “we”, “our” and “us”). If you have any questions about the contents of this brochure, please contact us at (617) 330-9333 or at [compliance-firm@incomeresearch.com](mailto:compliance-firm@incomeresearch.com). The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “SEC”) or any state securities authority. IR+M is registered with the SEC as an investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of IR+M provide you with information to assist you in determining whether to hire or retain IR+M. Additional information about IR+M is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## ITEM 2 – MATERIAL CHANGES

Since our last annual update on March 28, 2019, we formalized a C-suite leadership structure. The effective date for these changes is January 1, 2020. As part of this formalization, William (“Bill”) O’Malley became Chief Executive Officer (“CEO”) and Co-Chief Investment Officer (“Co-CIO”), James (“Jim”) Gubitosi assumed the title of co-CIO alongside Bill, and Sarah Kilpatrick assumed the role of Chief Operating Officer (“COO”), overseeing the Operations, Data, and Technology functions. Additionally, Matthew Conroy was appointed the firm’s Chief Financial Officer (“CFO”) and John A. Sommers, Jr. (“Jack”) assumed the role of Executive Chairperson. We believe this enhancement allows IR+M to better serve its clients and support ongoing growth.

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BROCHURE SUPPLEMENT(S)



## ITEM 4 – ADVISORY BUSINESS

Founded in 1987, we specialize in managing U.S. fixed income portfolios for institutional and private clients, as well as managing several U.S. fixed income private investment funds and collective investment trusts for qualified investors. We are privately owned, largely by our employees, and are independent, having no subsidiaries, affiliates, or divisions. All business is conducted at our sole location in Boston, Massachusetts. Jack is the only person who owns 25% or more of IR+M.

We focus our investment advisory business predominantly on the investment grade portion of the U.S. fixed income universe, offering clients advice and services on broad and focused fixed income strategies. *Please refer to Item 8 below for a more detailed description of Methods of Analysis, Investment Strategies, and Risk of Loss associated with our investment strategies.*

We continually strive to meet our clients' individual investment needs. We work closely with our clients to identify and understand their investment requirements in order to construct the most appropriate investment solutions. We largely provide discretionary investment management services, and we work with our clients to formulate suitable investment guidelines and restrictions that align their investment objectives with our investment process. Such investment guidelines and restrictions may include, among others, the type or amount of securities to be bought or sold, maximum concentration in a sector or industry, minimum quality standards for rated securities, socially responsible considerations, or maximum maturities.

We do not participate in any wrap fee programs.

As of December 31, 2019, we managed \$72,476,112,902 on a discretionary basis and \$2,638,973,358 on a non-discretionary basis.

## ITEM 5 – FEES AND COMPENSATION

We charge separate account clients and private investment fund members an investment management fee for the advisory services we provide (a "fee"). The fee we charge depends on a number of factors including client type (*i.e.*, institutional client, private client, private investment fund member), portfolio type (*i.e.*, separate account portfolio, private investment fund interest), type of securities held, portfolio size, client service needs, existing relationship with us, and other factors. All fee schedules are negotiable.

We may agree to assess a performance-based fee for certain clients. Such fees may be based on the value added relative to portfolio performance measured against a specific benchmark and capped at an explicit fee level. As of the date hereof, we do not have any performance-based fees in place. *Please refer to Item 6 below for further information regarding performance-based fees.*

### SEPARATE ACCOUNT INVESTMENT MANAGEMENT FEE CALCULATION AND RATES

For separate account clients, we establish fees in a written investment management agreement. We calculate fees for separate account clients based on the agreed annual rate for assets under management in that particular client's portfolio(s). In limited circumstances, we may also agree to a most-favored nation clause with respect to fees.

In order to determine asset values under management for calculating fees, we typically utilize a third-party pricing service. In the absence of a third-party price, we use dealer prices for individual securities or dealer prices for comparable securities. Our Investment Team evaluates the prices received from these methods against the general market levels and trading activity from broker-dealers that make markets in these and similar securities. If the Investment Team disagrees with the valuation provided by any third-party pricing service, we retain the right to override any price. Our Chief Compliance Officer ("CCO") must authorize any pricing change at the end of each month.

New issues not covered by a third-party service may be priced from the new issue spread and based off the associated yield/swap curve or transaction price or the last trade price if that date coincides with a month end. The security will continue to be priced based on one of those two option until either an approved pricing vendor states pricing the security or the Investment Team, with the CCO's approval, provides an alternative means for valuation.

Additionally, some clients have directed us to calculate their fees based on account values provided by such client's custodian. In these cases, we will rely on the valuation provided by the custodian.

Our separate account fees are normally based on the following annual rates:

Core / Intermediate / Long / Corporate-Only / Mortgage Backed Security-Only Portfolios	
<u>Accounts over \$50 million</u> 0.30% on the first \$50 million 0.25% on the next \$50 million 0.20% on the next \$100 million 0.15% on amounts over \$200 million	Account minimum: \$50 million
<u>Accounts over \$100 million</u> 0.25% on the first \$100 million 0.20% on the next \$100 million 0.15% on amounts over \$200 million	
Core Plus Portfolios	
0.35% on the first \$50 million 0.30% on the next \$50 million 0.25% on the next \$100 million 0.20% on amounts over \$200 million	Account minimum: \$50 million
Short Duration Portfolios	
0.25% on the first \$50 million 0.15% on the next \$50 million 0.10% on amounts over \$100 million	Account minimum: \$50 million
Government Opportunity / Agency Portfolios	
0.15% on the first \$50 million 0.10% on amounts over \$50 million	Account minimum: \$50 million
Treasury and Treasury Inflation-Protected Security Portfolios	
0.10% on the first \$50 million 0.05% on amounts over \$50 million	Account minimum: \$50 million
Convertible Bond Portfolios	
0.35% on the first \$100 million 0.25% on the next \$100 million 0.20% on amounts over \$200 million	Account minimum: \$75 million
Liability Driven Investment (LDI) Portfolios	
0.35% on the first \$100 million 0.30% on the next \$100 million 0.20% on amounts over \$200 million	Account minimum: \$75 million



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Short Diversified Income Portfolios	
0.35% on the first \$100 million 0.30% on the next \$100 million 0.20% on amounts over \$200 million	Account minimum: \$50 million

Municipal Bond Portfolios	
0.25% on the first \$25 million 0.20% on the next \$75 million 0.15% on amounts over \$100 million	Account minimum: \$10 million

Crossover Portfolios	
0.35% on the first \$100 million 0.30% on the next \$100 million 0.20% on amounts over \$200 million	Account minimum: \$50 million

Extended Cash Portfolios	
0.20% on the first \$50 million 0.15% on the next \$50 million 0.10% on amounts over \$100 million	Account minimum: \$50 million

### PRIVATE INVESTMENT FUND INVESTMENT MANAGEMENT FEE CALCULATION AND RATES

For investors in a private investment fund that we manage, we establish fees in the fund member's subscription documents.

We calculate private investment fund fees based on the percentage of assets in a private investment fund member's capital account. Each private investment fund member pays the advisory fee separately and the private investment fund itself does not pay an advisory fee.

Our private investment fund fees are normally based on the following annual rates:

Core / SRI / Intermediate / Long Private Investment Funds	
0.39% on the first \$10 million 0.35% on the next \$10 million 0.30% on the next \$10 million 0.25% on the next \$20 million 0.225% on the next \$50 million 0.20% on amounts over \$100 million	Account minimum: \$5 million

Intermediate Treasury Inflation-Protected Security Private Investment Fund	
0.10% on all assets	Account minimum: \$5 million

Short Duration Private Investment Fund	
0.25% on all assets	Account minimum: \$5 million

Short Credit Private Investment Fund	
0.30% on all assets	Account minimum: \$5 million

Crossover Private Investment Fund	
0.35% on the first \$5 million 0.30% on the next \$5 million 0.25% on amounts over \$10 million	Account minimum: \$2 million



Short Diversified Investment Fund	
0.40% on the first \$5 million 0.35% on the next \$5 million 0.25% on amounts over \$10 million	Account minimum: \$2 million

#### **PAYMENT OF INVESTMENT MANAGEMENT FEES**

We generally charge fees on a quarterly basis in arrears. Fees are typically pro-rated for each capital contribution and capital withdrawal made during the applicable calendar quarter. We charge portfolios initiated or terminated during a calendar quarter a pro-rated fee. Upon termination of an advisory relationship, any earned unpaid fees are due and payable to us. We do not permit clients or private investment fund members to pay fees in advance.

Clients and private investment fund members may elect to remit payment to us directly or they may authorize their or the private investment funds' custodian bank to remit payment from their qualified custodial account. Such instruction must be in writing. If a client authorizes us to pay advisory fees from its qualified custodial account, it is the client's responsibility to verify the accuracy of the advisory fee because the qualified custodian will not determine if the advisory fee charged by us is properly calculated. Regardless of payment options, we provide invoices to our clients and their qualified custodian for review.

#### **OTHER CHARGES AND FEES**

Fees charged to separate account clients do not include brokerage commissions, spread costs associated with fixed income trading, transaction fees, or other related costs and expenses. Separate account clients may incur charges imposed by custodians, brokers, and other third parties, which may include custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees, and commissions are exclusive of and in addition to our investment management fee. We do not receive any portion of these commissions, fees, and charges.

Neither the private investment funds we manage nor any member in such private investment funds pay any fee for routine professional services such as custody, audit, legal, or financial and tax preparation. All such fees are borne by us, the private investment funds' manager, and private investment fund members pay only a management fee to IR+M.

*Please refer to Item 12 for a description of the factors we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation.*

#### **POTENTIAL CONFLICTS OF INTEREST ON INVESTMENT MANAGEMENT FEE CALCULATION AND RATES**

We serve as the manager, the investment adviser, sub-adviser, and in some cases as the managing member to several private investment funds. When appropriate and permitted by the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and other applicable laws, our clients may invest in these funds. This gives rise to a potential conflict of interest because the fee structure that applies to fund members may be different than the fee structure that applies to separate account clients. As a result, we may receive direct or indirect economic benefits from investments in private investment funds that differ from the economic benefits we receive from managing separately managed accounts. However, we will not make an investment or recommendation with the purpose of benefiting our economic interests.

We retain the right to override the price of a security in a portfolio if a price is not available or if we deem the price of the security to be unacceptable. In doing so, a conflict of interest may exist when making recommendations regarding the value of such securities since our investment management fees are based on the value of assets under management. We believe that our pricing policies and procedures mitigate this conflict effectively and enable us to value client assets fairly and in our clients' best interests.

## ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

### Performance Based Fees

While we do not currently have any performance-based fees, we may negotiate such an arrangement with an individual client. All performance or incentive fee arrangements would be subject to Section 205 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”) including the exemption set forth in Rule 205-3 under the Advisers Act. We would include realized and unrealized capital gains and losses as well as accrued but unpaid interest to measure assets.

### Side-by-Side Management

We manage portfolios for persons affiliated with us, accounts we have a direct interest in, and private investment funds that we have an interest in. For example, we may provide initial funding or otherwise invest in private investment funds we manage.

Additionally, we serve as manager or sub-adviser to separately managed accounts, unregistered private investment funds, and registered mutual funds and manage these types of portfolios side-by-side.

### **POTENTIAL CONFLICTS OF INTEREST ON PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

### Performance Based Fees

Performance-based fee arrangements create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a non-performance based fee arrangement. Performance-based fee arrangements also create an incentive to favor higher fee paying portfolios in the allocation of investment opportunities. Our policies and procedures outline that we must treat all clients fairly and equally over time and prevent this conflict from influencing the allocation of investment opportunities among our portfolios. Additionally, employees are not compensated for portfolio performance for any portfolios we manage.

### Side-by-Side Management

These arrangements can create an incentive for us to favor certain portfolios over others. We believe that our policies and procedures mitigate these potential conflicts of interest and allow us to manage all portfolios fairly and in the best interests of our clients.

*Please refer to Item 12 for a description of our brokerage practices including broker selection and allocation.*

## ITEM 7 – TYPES OF CLIENTS

We provide investment management services a variety of client types including:

- corporate pension and profit-sharing plans,
- insurance companies,
- Taft-Hartley plans,
- charitable institutions,
- foundations,
- endowments,
- municipalities,
- registered investment companies,
- private investment funds,
- collective investment trusts,





- trust programs,
- high net worth individuals, and
- other U.S. and international entities.

We generally require a \$50 million minimum portfolio size for a separately managed institutional fixed income portfolio. For convertible bond and liability driven investment portfolios, the minimum account size is \$75 million. For municipal bond portfolios, the minimum account size is \$10 million. For our private investment funds, *excluding* our crossover private investment fund, the minimum initial investment is \$5 million. The minimum initial investment for our crossover private investment fund is \$2 million. We may waive minimum account sizes at our discretion.

We serve as investment manager to the IR+M Collective Investment Trust ("CIT") for qualified retirement plans and a third-party serves as the trustee of the CIT. We also have been appointed sub-adviser to several registered investment companies by each registered investment company's board. Fees and account minimums for these vehicles are set by the trustee and boards, respectively.

## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Our overall investment philosophy is to construct portfolios that conform with our clients' investment objectives. To that end, our investment philosophy and method of analysis is consistent across all of our fixed income investment strategies. We believe that careful security selection and increased portfolio income provide superior returns over the long term. As such, we construct portfolios using a disciplined bottom-up investment approach to select what we believe to be the most attractive securities from the fixed income universe. Our goal is to purchase what we feel are attractive, inefficiently priced securities that when combined in the portfolios we manage, provide attractive expected returns, reasonable risk exposures, and necessary liquidity. This philosophy has remained consistent since the inception of the firm.

Our fundamental analysis provides the basis of security selection with an emphasis on favorable credit, structure, and price characteristics. In addition, our approach allows us sufficient market agility to implement our best ideas by acquiring meaningful positions and participating in unique opportunities.

We strive to maintain a duration neutral position and a relatively neutral key rate exposure versus the respective benchmark. We do not position a portfolio based on a projection of interest rates and we do not typically buy non-dollar or emerging market issues. Our security selection process utilizes the following factors to identify a diverse mix of fixed income securities to create portfolios:

- + Credit: predominantly investment grade focused
  - strong fundamentals, collateral enhancement, and understandable risks
- + Structure: inherent attributes that create value
  - convexity advantage, yield maintenance, and covenants
- + Price: credit and structure benefits at a compelling price
  - yield advantage and cheap optionality

Investment ideas are evaluated and then promoted or rejected by our individual sector teams (Government, Securitized, Credit, Municipal) after analysis and discussion. Interesting ideas are then vetted by our Portfolio Managers at regular review meetings or on an ad hoc basis as necessary. Our Target Team is responsible for making overall decisions on sector targets and risk positioning. The Target Team's primary responsibilities are to assess relative value across sectors, communicate overall risk preferences, and to ultimately distill asset allocation decisions into sector targets for each product. We primarily measure and assess risk with a third-party monitoring tool which calculates characteristics such as portfolio duration, convexity, spread duration, key rate exposure, sector exposure, and tracking error.

\* \* \*

**Investing in securities involves risk of loss that clients should be prepared to bear.** Investing in the fixed income market is subject to certain risks including but not limited to market, interest rate, credit, call or prepayment, extension, issuer, liquidity, and inflation risk. While we actively seek to manage risk, our clients and investors could lose money in their portfolio(s) as a result of many factors such as:

- + **Market Risk:** Changes in the prices of securities due to general and sometimes rapid and/or unpredictable movements in the market often related to changes in economic conditions.
- + **Interest Rate Risk:** Interest rates go up causing the value of debt securities to decline.
- + **Credit Risk:** The issuer of a security defaults on its obligation to pay principal and/or interest or the price declines substantially due to a credit rating downgrade, anticipated downgrade, or other event.
- + **Prepayment Risk:** During periods of declining interest rates, the issuer of a security exercises its option to prepay principal earlier than scheduled, forcing reinvestment in lower yielding securities.
- + **Extension Risk:** During periods of rising interest rates, the average life of certain types of securities may extend because of slower than expected principal payments. This may lock in a below market interest rate, increase the security's duration, and reduce the value of the security.
- + **Liquidity Risk:** Changes in market structure, periods of market volatility, or factors affecting a specific security may affect our ability to purchase desired securities, sell a security in a timely manner, or may force us to sell a security at a price that we consider to be below fair market value.
- + **ESG Risk:** We integrate environmental, social, and governance ("ESG") factors in our investment process as we view ESG analysis as an integral part of risk assessment when evaluating securities. However, there is no guarantee that integrating ESG analysis will provide improved risk-adjusted returns over any specific time period. Additionally, investment strategies that exclude securities based solely on ESG criteria may not provide better risk-adjusted returns than those strategies that do not have such restrictions.
- + To the extent we invest in TBA mortgage-related securities or enter into "dollar roll" transactions, funds earmarked for payment of these obligations may be invested in securities that are longer in maturity than the settlement date. This is a common method of increasing return on a portion of a client's investment portfolio but it may be subject to additional market or credit risk.
- + Our judgment about the attractiveness, risk adjusted total return, relative value, or potential appreciation of a particular sector or security proves to be incorrect.
- + To the extent we invest significantly in corporate, asset-backed, and mortgage-related securities, a portfolio's exposure to credit, prepayment, and extension risks may be greater than if the portfolio were invested in other fixed income instruments.
- + Operational risks arising from factors such as processing errors, human errors, inadequate or failed internal or external processes, fraud, failure in systems and technology, changes in personnel, and errors caused by third-party service providers. These factors may result in losses to a portfolio. *Please refer to our error correction policy outlined below.*

Clients should be aware that there are additional risks when investing in the types of fixed income instruments which may be included in their portfolio. These types of fixed income securities include:

- + **Government Securities Risk:** Not all U.S. government securities are backed by the full faith and credit of the U.S. government. It is possible that the U.S. government would not provide financial support to certain of its agencies or instrumentalities if it is not required to do so by law. If a U.S. government agency or instrumentality defaults and the U.S. government does not stand behind the obligation, returns could be negatively impacted. The U.S. government guarantees payment of principal and timely payment of interest on certain U.S. government securities.
- + **Municipal Securities Risk:** Municipal securities are subject to the risk that legislative changes and local and business developments may adversely affect the yield or value of investments in such securities. In addition, in order to be tax-exempt, municipal securities must meet certain legal requirements. Failure to meet such requirements may cause interest received on the municipal securities to be taxable. Changes or proposed changes in federal tax laws may also cause the prices of municipal securities to fall and adversely affect an investment.
- + **Mortgage-Related and Other Asset-Backed Securities Risk:** Mortgage-related securities include pass-through securities, collateralized mortgage obligations ("CMO"), commercial mortgage-backed securities ("CMBS"), mortgage dollar rolls, CMO residuals, stripped mortgage-backed securities, and other securities that directly or indirectly represent a participation in or are secured by and payable from mortgage loans on real property. The value of some mortgage- or asset-backed securities may be particularly sensitive to changes in prevailing interest rates. Early repayment of principal on some mortgage-related securities may cause a lower rate of return upon reinvestment of principal. When interest rates rise, the value of a mortgage-related security generally will decline. However, when interest rates are declining, the value of mortgage-related securities with prepayment features may not increase as much as other fixed income securities. The value of these securities may fluctuate in response to the market's perception of the creditworthiness of the issuers. Mortgage-related securities may also pose credit risk. Because the assets providing cash flows to a mortgage-related security may be composed of mortgage loans, the holders of such mortgage-related securities are subject to default and delinquency risks. If mortgage borrowers are delinquent or default on their payments, the holders of mortgage-related securities may not realize full repayment of their investment or may experience delays in the repayment of their investment. The credit risk of mortgage-related securities depends, in part, on the likelihood of the borrower paying the promised cash flows of principal and interest on time. The credit risk of a specific mortgage-related security may be influenced by a variety of factors including: (i) the mortgage borrower's lessened ability to repay in light of changed circumstances, such as a job loss, (ii) the borrower's ability to make higher mortgage payments which may result from floating-rate interest resets, (iii) declines in the value of the property which serves as collateral for the mortgage loan, and (iv) seniority or priority of the specific mortgage-related security relative to other claims on the cash flow from the pool of mortgage loans.
- + **High Yield Securities Risk:** If permitted by a client's guidelines, we may invest in securities with below investment grade ratings. In addition, we may determine to retain a security if it is downgraded to below investment grade after purchase. High yield securities are speculative and involve a greater risk of default and price change due to changes in the issuer's creditworthiness or the risky nature of an investment for which limited or no recourse to the issuer is provided. The income on and market prices of these debt securities usually fluctuate more than that of investment grade debt securities and may decline more significantly in periods of general economic difficulty. As a result, a portfolio may be subject to greater levels of price volatility by investing in, or maintaining its investment in, high yield securities and unrated securities of similar credit quality. High yield debt instruments are more vulnerable to changes in interest rates and inflation, in part because leveraged or overextended issuers and investments are more sensitive to adverse changes. Below investment grade securities also tend to pose greater risks of illiquidity than higher-quality securities. Some are not registered for sale under the Securities Act of 1933 and/or do not trade frequently. When they do trade, their prices may be significantly higher or lower than expected. As

a result, high yield debt instruments also generally pose a greater risk of being valued incorrectly by the market. An economic downturn, a period of rising interest rates or increased price volatility could adversely affect the market for these securities, and reduce the number of buyers, should the need arise to sell these securities. Should an issuer declare bankruptcy, the entire investment in that security could be lost.

- + **Derivatives Risk:** The use of derivative instruments involves risks different from, and possibly greater than, the risks associated with investing directly in securities and other more traditional investments. Derivatives are subject to a number of risks, such as potential changes in value in response to interest rate changes, other market developments or changes in the counterparty's credit quality and the risk that a derivative transaction may not have the effect we anticipated. If a counterparty becomes insolvent or otherwise fails to perform its obligations, there may be significant delays in obtaining any recovery from the counterparty in an insolvency, bankruptcy, or other reorganization proceeding and it is possible that no recovery, or only a partial recovery, would result. Derivatives also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not correlate perfectly with the asset, rate, or index underlying the derivative. Derivative transactions can create investment leverage, may be highly volatile, and can result in losses that exceed the amount of capital invested. Use of derivatives other than for hedging purposes may be considered speculative. Many derivative transactions are entered into "over the counter" (not on an exchange or contract market). As a result, the value of such a derivative transaction will depend on the ability and the willingness of the counterparty to perform its obligations under the transaction. A liquid secondary market may not exist for derivative positions. Although the use of derivatives is intended to enhance performance, it may instead reduce returns and increase volatility. The derivative markets have seen recent regulations enacted both in the United States and international markets and we can anticipate additional future regulations to be issued. The extent and impact of the new and expected regulation are not yet fully known and likely will not be known until the market has an opportunity to comply with, and adapt to, the new regulations. New regulation of derivatives may make them more costly, may limit their availability, or may otherwise adversely affect their value or performance. Under recently adopted regulation, certain swaps are required to be executed through a centralized exchange or regulated facility and be cleared through a regulated clearinghouse. Additional swaps may face such regulations in the future. The market in such swaps could be disrupted or limited as a result of these regulations, which could adversely affect performance. Moreover, the establishment of a centralized exchange or market for swap transactions may not result in swaps being easier to trade or value and may result in a substantial increase in the cost of such transactions.
- + **Non-U.S. Security Risk:** Investments in securities issued by Non-U.S. issuers, such as Yankee or sovereign bonds, may involve additional risks including political and economic risks specific to the country issuing the security. Additionally, these securities may be more sensitive to changes in trade policy, economic developments, political unrest, or regional risk than a U.S. issuer.
- + **Increased Government or Market Regulation:** While we regularly monitor legislative, regulatory, and other governmental actions that may impact our business, it is impossible to predict the impact of future regulation. Changes to regulations, tax code, or the overall regulatory environment may negatively affect the value of securities within a client's portfolio, may hinder our ability to employ our trading strategies, or may increase the costs of trading.
- + **Market Instability Risk:** Changes in political conditions, geographic instability, pandemics, and/or terrorism, could have a disruptive effect on the securities markets and U.S. and worldwide economies. We cannot predict how long the securities markets and U.S. and worldwide economies could be affected by these events, nor can we predict the effects on the investments in which we invest. This market and economic stability could have an adverse impact on the portfolios we manage.
- + **Cybersecurity Risk:** We increasingly rely on technology to conduct business operations. Reliance on proprietary or third-party technology leads to an increased exposure to cyber threats. These threats could result in adverse business impact, regulatory inquiries and/or proceedings, fines, financial loss, and

reputational harm. We employ various enterprise-wide risk management strategies to ensure the firm operates with acceptable levels of risk. We focus on business risk management and reporting, vendor risk management, insurance management, physical security, technological security, business continuity, and internal and external control testing. Further, we continue to align ourselves with the National Institute of Standards and Technology (NIST) framework for cybersecurity. The NIST framework requires that we have certain best-practices in place, such as policies and procedures, access control methods, and incident response plans. In addition, we have a named Chief Information Security Officer (CISO) and developed a Cyber Incident Response Policy that includes protocols for internal and external communications. We also conduct Information Technology Security training for all employees annually. While we believe we have appropriate controls in place to address various cyber risks and threats, our systems could still be susceptible.

- + **Data and Systems Risk:** We rely on proprietary and third-party data for business and investment operations and decision making. Such data includes but is not limited to portfolio security characteristics, portfolio guideline and monitoring data, risk analyses, and other like data indicating financial performance. We have limited means to ensure that third-party data are error-free but we do have controls in place to ensure that clients and firm proprietary data is handled in a secure manner at third-party vendors.

The systems we use to access and maintain data may be housed onsite or hosted by a third-party. Despite our best efforts, these systems could be breached, disabled, or otherwise not operate properly by means outside of our control. This could result in adverse business impacts on us and the portfolios we manage and may lead to financial loss, reputational harm, and regulatory scrutiny.

## ITEM 9 – DISCIPLINARY INFORMATION

We are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We have no applicable information to disclose in Item 9.

## ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

None of our employees are currently registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer or as a futures commission merchant. We rely on a self-executing exemption from registration with the National Futures Association as it relates to serving as a commodity pool operator or a commodity trading adviser.

## ITEM 11 – CODE OF ETHICS

### EMPLOYEE CODE OF ETHICS

We adopted an *Employee Code of Ethics for Personal Investments and Insider Trading Policy* (the “Employee Code”) to comply with Rule 204A-1 under the Advisers Act and 17j-1 under the Investment Company Act of 1940, as amended (the “Investment Company Act”). The Employee Code describes our high standard of business conduct and fiduciary duty to our clients and private investment fund members. To the extent applicable under the Employee Code, full-time, part-time, and temporary employees, interns, and in certain circumstances independent contractors (each an “IR+M Employee”), and certain immediate family members of IR+M Employees (each a “Covered Person”), must place the interests of our clients and private investment funds ahead of their own. As such, each IR+M Employee and Covered Person must conduct all personal securities transactions in a manner that is consistent with the Employee Code to assist us in detecting and preventing any actual or potential conflicts of interest. Additionally, the Employee Code bans an IR+M Employee and their Covered Persons from misusing information about client portfolios, abusing his or her position of trust and responsibility, or taking inappropriate advantage of his or her position.



The Employee Code also includes provisions relating to prohibitions on insider trading, restrictions on the gifts and business entertainment, reporting of such gifts and business entertainment, personal securities trading procedures including pre-clearance and reporting obligations, and restrictions on political contributions. All IR+M Employees acknowledge the terms of the Employee Code at least annually and complete certain reports on a quarterly and annual basis.

We believe the Employee Code is reasonably designed to minimize potential conflicts of interest between us and our clients and private investment funds. To minimize such potential conflicts of interest, we prohibit IR+M Employees from personal trading or on behalf of others in securities while in possession of material non-public information regarding such securities and communicating material non-public information.

Provisions of the Employee Code include:

- + **Reporting:** All IR+M Employees must complete quarterly transaction reports and annual holdings reports for which they or their Covered Persons have a direct or indirect beneficial ownership interest. A covered security includes any and all securities *except* direct obligations of the U.S. government, money market instruments, money market funds, exchange-traded funds and shares of investment companies registered under the Investment Company Act (other than exchange-traded funds and investment companies for which we act as a sub-adviser or adviser). Covered securities also include investments in our private investment funds. Employees and their Covered Persons must direct their brokers to supply us with duplicate copies of confirmations of all covered securities transactions. Lastly, employees must annually certify that they and their Covered Persons have complied with the Employee Code. Employee Code of Ethics reporting is done electronically through a third-party compliance software system.
- + **Pre-clearance of Transactions in Covered Securities:** Employees and their Covered Persons must obtain pre-clearance from the CCO or Delegate for any discretionary trades of covered securities.
- + **Personal Trading While Client Trades are Pending:** Employees and their Covered Persons may not purchase or sell any covered security that we purchased or sold in any of our clients' portfolios within the previous five (5) business days. This does not apply to simultaneous execution of personal and client trades in an aggregated order.
- + **Front-Running:** IR+M Employees and their Covered Persons are prohibited from engaging in front-running an order or recommendation for our clients, regardless of who is handling or generating the order or recommendation. Front-running is the purchase or sale of the same or underlying securities or derivatives based on these securities ahead of and based on knowledge of a security transaction on behalf of our clients.
- + **Short Sales:** IR+M Employees and their Covered Persons are prohibited from selling short covered securities.
- + **Short Term Trading:** IR+M Employees and their Covered Persons may not purchase and sell, or sell and purchase the same (or equivalent) covered security within a sixty (60) calendar day period.
- + **Outside Employment and Activities:** IR+M Employees must receive pre-approval by the CCO or Delegate prior to engaging in certain outside employment and business activities.
- + **Gifts and Entertainment:** IR+M Employees may not accept or give to broker-dealers or union officials any gifts or entertainment of any material value without pre-approval by the CCO or Delegate and must report any gifts. Employees and their Covered Persons may not leverage an IR+M Employee's position here to seek or accept gifts, favors, preferential treatment, or special arrangements of material value from third parties.

- + **Political Contributions:** As a firm, we will neither make contributions to any public officials or candidates for office nor pay any third-party to solicit government clients on its behalf. Employees and Covered Persons must pre-clear any political contribution. Contributions are limited to a maximum of \$250 per candidate per election. This contribution can only be made if the Employee and Covered Persons are entitled to vote for that candidate and the candidate cannot influence investment manager hiring decisions for government funds.
- + **Foreign Corrupt Practices Act (“FCPA”):** As a firm, we will not make any payments to foreign governmental officials or candidates for official positions for the purpose of influencing the foreign official's decision making process or to secure an unfair advantage. We will not use third parties or make payments to third parties to circumvent the FCPA. IR+M Employees and Covered Persons must pre-clear any payment to a foreign official. Employees and Covered Persons may not use third parties or make payments to third parties with a view to circumvent these restrictions.

#### NON-EMPLOYEE CODE OF ETHICS

The *Non-Employee Shareholder Code of Ethics* (“Non-Employee Code”) is designed to ensure that our Non-Employee shareholders understand and honor their fiduciary duty towards our clients and investors while placing the interests of our clients and investors above their own. The Non-Employee Code includes provisions relating to reporting, disclosure, and pre-clearance of certain transactions. Non-Employee Shareholders are required to acknowledge the terms of the Non-Employee Code annually.

\* \* \*

The above information is a summary of the Employee and Non-Employee Codes. A copy of the Employee and Non-Employee Codes are available to any prospective or existing client or investor upon request by contacting our CCO, Richard M. Kizik, Income Research + Management, 100 Federal Street, 30th Floor, Boston, MA 02110-1884.

#### POTENTIAL CONFLICTS OF INTEREST ON CODE OF ETHICS

The Employee Code seeks to ensure that the personal securities transactions, activities, and interests of Employees and their Covered Persons will not interfere with making decisions that are in the best interests of our clients and private investment fund members and implementing such decisions while allowing Employees and their Covered Persons to invest for their own accounts. Nonetheless, because the Employee Code in some circumstances permits Employees and Covered Persons to invest in the same securities as our clients, there is a possibility that Employees and their Covered Persons might benefit from market activity by a client in a security held by an Employee or Covered Persons. To mitigate conflicts of interest between us and our clients and private investment fund members, we monitor personal trading activity of both Employees and Covered Persons.

We act as the investment adviser for certain private investment funds and portfolios in which we and certain principals and affiliated persons of ours may have direct and/or indirect beneficial ownership. These private investment funds and portfolios may invest in the same or similar securities that we purchased or sold for a client's portfolio(s). Subject to satisfying the Employee Code and applicable laws, IR+M Employees and Covered Persons may trade for their own accounts in securities which we recommended to and/or purchase for our clients.

## ITEM 12 – BROKERAGE PRACTICES

### **BEST EXECUTION**

Clients typically give us full discretion to determine and to direct execution of portfolio transactions.

In selecting broker-dealers and/or counterparties to execute portfolio transactions, our primary objective is to obtain the overall best combination of price and execution. Best price, giving effect to any brokerage commissions or other transaction costs such as markups or markdowns, are the primary criteria we use in selecting brokers for fixed income trades. In limited circumstances, we may utilize Alternative Trading Systems to achieve our objectives. We favor brokers who exhibit the ability to effect trades that most closely conform to our price expectations. We also take into account the quality of service received, including but not limited to execution capability, willingness to commit capital, financial stability, and clearance, and settlement capability. We maintain a list of approved brokers and counterparties.

Fixed income securities are usually purchased from the issuer or a broker-dealer where each party is acting as a principal on a net basis (*i.e.*, the spread between the bid and offer prices). Therefore, brokerage commissions are uncommon. Fixed income securities may also be purchased in public offerings from underwriters at prices which include underwriting commissions and fees or at a spread to a reference U.S. Treasury security.

### **DIRECTED BROKERAGE**

We typically do not agree to arrangements in which our clients may limit our discretionary authority to select broker-dealers and/or counterparties. However, if we agree to directed brokerage instructions from a client, they must be in writing and the requesting client must acknowledge that they understand that such an arrangement may detract from our ability to obtain overall best execution, we may not be able to aggregate the requesting client's trades with the trades of other clients, and we will generally place the requesting client's trades after other client trades have been executed. We also request a list of eligible broker-dealers and the approximate target percentage or dollar amount for directed transactions. If the portfolio is subject to ERISA, we request documentation from the requesting client that the plan's participants will exclusively benefit from the product or service obtained through the directed brokerage arrangement.

### **SOFT DOLLAR RELATIONSHIPS**

We have no formal soft dollar arrangements. When transacting with a broker-dealer or counterparty, we may receive various forms of research. Any research received is used to service the portfolios we manage, consistent with the requirements of Section 28(e) of the Exchange Act of 1934, as amended. We do not trade with a broker-dealer or counterparty based on the research they provide and all transactions we enter into are done with a broker-dealer or counterparty that we believe can provide overall best execution.

### **POTENTIAL CONFLICTS OF INTEREST ON SOFT DOLLARS**

By receiving research from a broker-dealer or counterparty, we may have an incentive to transact with the broker-dealer or counterparty based on our interest in the research, rather than achieving overall best execution for the portfolios we manage. Additionally, to the extent the research we receive is of value, we may avoid expenses that we might otherwise incur. We have policies and procedures that we believe adequately address these potential conflicts of interest.

### **CLIENT REFERRALS**

We do not use client brokerage commissions to compensate or otherwise reward broker-dealers for client referrals.



## CROSS TRADES

While we do not currently execute cross trades, we may determine that it is appropriate and in the best interest of certain client portfolios if one client portfolio purchases a security from another client portfolio that is selling the same security (“internal cross trades”). Eligible client accounts include all accounts except: (1) accounts that expressly prohibit cross trades, (2) accounts of registered investment companies, (3) accounts governed by ERISA, (4) accounts of IR+M private investment or collective investment trust funds, (5) IR+M propriety accounts, (6) accounts owned by IR+M employees and their affiliates, and (7) any other account deemed ineligible by IR+M Compliance.

When permitted by a portfolio, applicable law, and our policies and procedures, we may, based on guidance and best practices established through SEC no-action letters, execute internal cross trades in eligible client accounts if (1) each trade is consistent with the investment policies of each participating portfolio as reflected in each clients’ investment guidelines, (2) the selling portfolio receives only cash, (3) no brokerage commission, fee (except for customary transfer fees or nominal brokerage commissions for effecting the transfer), or other remuneration is paid by the participating portfolios in connection with the transaction, and (4) a direct transaction between client portfolios should be effected at the independent current market price of the security, which should be (a) the last reported sale price for the security, if available or (b) if the last sale price is not available after due inquiry, the average of the highest current independent bid and lowest current independent offer for the security, or (c) the midpoint between the bid and ask price provided by an independent third-party pricing service.

### **POTENTIAL CONFLICTS OF INTEREST ON CROSS TRADES**

Cross trades present a potential conflict of interest because we represent the interests of both the buying and selling portfolio. We may have an incentive to treat one portfolio more favorably than the other particularly in situations when one client pays us a higher management or performance-based fee than the other client. A cross trade involves the potential risk that the price of the security purchased or sold in the cross trade might not be as favorable as it would have been if the trade was executed in the open market. To address these conflicts of interest, our policies and procedures require that any cross trades be effected at the applicable independent current market price of the security, which is determined by reference to independent third-party sources. We monitor trade data to ensure policy adherence.

## TRADE AGGREGATION

We frequently decide to purchase or sell the same securities for several portfolios at approximately the same time. Whenever possible, orders to purchase or sell the same security for multiple portfolios are aggregated if we believe doing so will result in more favorable execution. We will not aggregate investment transactions for portfolios unless the transaction is consistent with the terms of each client’s applicable investment management agreement and each client’s investment objectives, restrictions, and policies. If we do not aggregate trades when we have the opportunity to do so, clients may pay higher brokerage costs.

We may batch a portfolio’s trade with trades of portfolios affiliated with us, including private investment funds we manage only if we meet each of the following conditions:

- + The portfolios trades are treated equally with affiliated portfolio trades;
- + Each affiliated and non-affiliated participant in the trade receives average execution and commissions; and
- + Securities purchased or sold are allocated fairly and in accordance with our trade allocation procedures.

## ALLOCATION OF INVESTMENT OPPORTUNITIES

Our policy is to allocate investment opportunities among our portfolios in a manner we believe to be fair and equitable to each portfolio over time. Allocating investment opportunities shall never favor any one portfolio over another and shall never favor us.

We manage portfolios with similar investment objectives and strategies and manage portfolios with different objectives or strategies that may trade in the same securities. Despite these similarities, decisions about each portfolio's investments and the performance resulting from these decisions may differ. As a result, we may not necessarily purchase or sell the same securities at the same time or in the same proportionate amounts for all eligible portfolios. We do expect that portfolios with similar investment objectives may trade many of the same securities at the same time, although it may not be feasible to allocate a transaction pro-rata to all eligible portfolios. Because of this, not all portfolios will necessarily participate in the same investment opportunities or participate on the same basis. Our objective is to ensure that over time no portfolios are favored with respect to any available investment opportunities except where applicable law or portfolio investment restrictions dictate otherwise.

When making allocation decisions, we take into account the following factors:

- + The portfolio's investment objectives and strategies;
- + The composition and characteristics of the portfolio relative to similar portfolios;
- + The cash flows and amount of investment funds available to each portfolio;
- + The amount already committed by each portfolio to a specific investment or sector;
- + Each portfolio's risk tolerance and the relative risk of the investment; and
- + The marketability of the security being considered.

If after executing a trade our Investment Team discovers that an investment is inappropriate to include in a portfolio, they may reallocate the ineligible portfolio's share of the trade among any eligible portfolios provided that the reallocation is appropriate for and in the best interest of the other participating portfolios and made on trade date before final allocations occur. Situations giving rise to such reallocations may include:

- + Avoiding creation of odd lot positions in any portfolio;
- + Avoiding creating *de minimis* positions in any portfolio;
- + Allocating a smaller portion to those portfolios for which the purchased security would be a peripheral investment and a larger portion to those portfolios for which the security would be a core investment;
- + Satisfying demand with respect to a portfolio's relative cash position (*i.e.*, to allocate a small portion to portfolios with less cash or liquidity and a greater portion to portfolios with more cash or highly liquid investments); or
- + Reallocating a position to a new portfolio that has been approved for trading at the same time of the trade allocation.

Post-execution allocations must comply with the same general guidelines set forth above for pre-execution allocations, must be consistent with the goal of treating all portfolios fairly and equitably, and must be approved by the CCO. If reallocation is required due to an error or if reallocation must occur after final allocations we will follow our error correction procedures.

#### **POTENTIAL CONFLICTS OF INTEREST ON ALLOCATIONS**

We manage numerous portfolios with similar investment objectives and manage portfolios with different investment objectives, both of which may trade in the same securities. Despite these similarities, decisions about each portfolio's investments and the performance resulting from these decisions may differ. Specifically, we may take an investment position or action for one portfolio that is different from a position or an action taken for another portfolio that has a similar investment objective. These decisions may adversely impact or benefit one or more portfolios, including portfolios in which we (or our related persons) may have an interest. We seek to manage and mitigate these potential conflicts of interest by following policies and procedures concerning the allocation of investment opportunities among portfolios described in this Item 12.

#### **ERROR CORRECTION**

Our goal is to identify and correct investment guideline and trade errors affecting portfolios that we manage that may occur and for which we are at fault ("errors"). Errors can occur for a variety of reasons. As a result, the consequences and the required corrective measures that are appropriate may differ depending on the nature and cause of the error. Our goals in correcting errors are to:

- + Identify and analyze errors in a timely manner;
- + Correct errors in accordance with our policies and procedures;
- + Analyze the resulting gain or loss from correcting an error, and reimburse affected portfolios in accordance with our policies and procedures; and
- + Assess what reasonable actions are required to prevent a recurrence of the error.

Our CCO is responsible for reviewing all errors and determining appropriate corrective measures, as well as analyzing any corresponding gains or losses resulting from the error. The calculation of the amount of any gain or loss will depend on the particular facts surrounding the error, and the methodology used by us may vary.

If our analysis determines the corrective action resulted in a net loss, we will reimburse the affected portfolio. If our analysis determines the corrective action resulted in a net gain, the affected portfolio will retain the gain. Gains and losses for the same portfolio may be netted at our discretion, if appropriate under the circumstances, and we will not compensate portfolios for lost investment opportunities (*i.e.*, the failure to take advantage of investment or market improvements). Lastly, we will inform affected clients of corrective actions we have made, as well as the resulting gain/loss.

#### **POTENTIAL CONFLICTS OF INTEREST ON ERROR CORRECTION**

We may have a conflict of interest in connection with the identification and resolution of errors because we may bear some or all of the financial responsibility to correct an error. This may give us an incentive to determine that an error did not occur or, if one has occurred, to resolve it in a manner that minimizes the financial impact on us. We strive to make determinations in good faith, taking into account all circumstances of which we are aware, including, where appropriate, our own interests and the standards under applicable law and those contained in our client's investment management agreement with us. This conflict of interest is heightened in cases where our client is a private investment fund for which we serve as manager, investment

adviser, and in some cases as managing member. All error correction determinations for these private investment funds will be made by us. As a result, investors in private investment funds will not be informed that an error existed or how it was resolved. We seek to manage and mitigate these potential conflicts of interest by following our established policies and procedures.

## ITEM 13 – REVIEW OF ACCOUNTS

Members of our Investment Team regularly review our portfolios. Additionally, we track compliance with each portfolio's investment guidelines on a pre- and post-trade basis using a third-party trade order management system. The trade order management system is rules-based and our Compliance Team "codes" a portfolio's specific investment guidelines into the system to allow for guideline monitoring.

Lastly, our clients have the opportunity to review portfolio information via client statements we send monthly. Generally, the reporting package contains portfolio holdings, purchase and sale transactions for the given period, and the performance of their portfolio versus their respective benchmark, if applicable, for the month/quarter, year-to-date, last twelve months, and since portfolio inception.

## ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

We do not receive economic benefits for providing investment advice or other services from anyone who is not a client. Additionally, we do not, and our related persons do not, compensate any third parties for client referrals.

Family members of employees and shareholders are currently employed by investment consultants with whom we do business. Some of these family members hold senior positions at such firms. This may create an incentive for investment consultants to recommend our firm to their clients.

In circumstances where our employee and the investment consultant's employee share the same household (e.g., a husband and wife), are shareholders, or when compensation is based on developing and maintaining client relationships, conflicts of interest may exist.

## ITEM 15 – CUSTODY

Separate account clients are responsible for hiring a qualified custodian to hold and maintain their assets and IR+M is not considered the official books and record keeper of client assets. However, under Rule 206(4)-2 of the Advisors Act, we may be deemed to have custody of client assets. One example is the ability to deduct fees from a client's custodial account. In an effort to maintain transparency, we ensure that clients receive statements at least quarterly from each separate account client's qualified custodian. We urge clients to carefully review their custodial statements, compare them to the statements we provide, and inquire about any unexplained differences. Most commonly, statements may differ based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

*Please refer to Item 13 for a description of monthly statements.*

## ITEM 16 – INVESTMENT DISCRETION

At the outset of an investment advisory relationship, we enter into a thoroughly negotiated, written, and signed investment management agreement with all of our clients. Typically, the investment management agreement grants us full investment management discretionary authority by allowing us to select the types and amounts of investments for a client's portfolio. Our policies and procedures ensure we exercise our investment discretion in a manner consistent with all applicable laws and regulations as well as all client imposed



investment guidelines and restrictions imposed by the client or a client's regulatory authority to which it may be subject.

## ITEM 17 – VOTING CLIENT SECURITIES

### PROXY VOTING

Because holders of fixed income securities are not usually requested to vote proxies, it is our policy that our clients be responsible for voting all proxies with respect to the securities held in their portfolio(s). All proxy voting ballots we receive are promptly forwarded to the appropriate party.

To address any instance that we are responsible for exercising voting authority with respect to securities held in a client's portfolio, we adopted written proxy voting policies and procedures as required by Rule 206(4)-6 under the Advisers Act. When we exercise such voting authority, it is our policy to apply the same guidelines for all portfolios in which we exercise voting authority. It is generally our policy to vote in accordance with the issuer's management recommendation absent countervailing considerations. If we believe the issuer's management position on a particular issue is not in the best interests of our clients, we will vote contrary to the issuer's management's recommendation. Any proxy received on behalf of a private investment fund will be voted pursuant to the guidelines set forth in our proxy voting policies and procedures.

### POTENTIAL CONFLICTS OF INTEREST ON VOTING CLIENT SECURITIES

A conflict of interest may arise in the course of our proxy voting activities. Such a conflict of interest might exist, for example, when an issuer who is soliciting proxy votes also has a client relationship with us, when one of our clients is involved in a proxy contest, or when one of our employees has a personal interest in a proxy matter. When such a conflict of interest arises, in order to ensure proxies are voted solely in the best interests of our clients, our CCO may consult legal counsel or members of our senior management to determine how the items of a particular proxy ballot should be voted.

Our clients may obtain a copy of our proxy voting policies and procedures upon request. Clients may also request information on how we voted for any proxies on behalf of their portfolio.

### CLASS ACTION/LEGAL PROCEEDINGS POLICY

#### SEPARATELY MANAGED ACCOUNTS

In the course of managing client portfolios, we may receive notice of class action lawsuits, bankruptcy claims, or other legal proceedings (collectively "Legal Proceedings") regarding securities previously or currently held in a portfolio we manage. It is our policy that we will not advise or take any action on behalf of any client in any Legal Proceedings involving securities held in or formerly held in a portfolio. This practice is based on our understanding that we do not have (1) the appropriate "power of attorney," (2) the authority to bind a client to a legal agreement, or (3) a contractual obligation to participate.

In the event that we receive information relating to any Legal Proceeding, we will use best efforts to cooperate and assist clients in gathering information and documents regarding a portfolio that may be relevant to such proceeding.

#### PRIVATE INVESTMENT FUNDS

In the event that we receive a notice of a Legal Proceeding with respect to securities purchased or sold by a private investment fund we manage, it is our general policy to participate in all Legal Proceedings in which one or more managed private investment fund(s) is eligible. However, we may determine not to participate in a Legal Proceeding for any number of reasons if we determine that the anticipated out-of-pocket costs associated with any potential recovery are likely to exceed the amount of the potential recovery or if the private



investment fund intends to pursue its legal rights outside of the established class or other legal proceeding. Our CCO, after consultation with the applicable investment personnel, makes the decision on whether to participate in the proceeding.

## ITEM 18 – FINANCIAL INFORMATION

We are required to provide certain information or disclosures about our financial condition. We have no financial commitments that impair our ability to meet contractual and fiduciary commitments to our clients and have never been the subject of a bankruptcy proceeding. If a financial event occurs that requires immediate disclosure, we will update Item 18 as soon as practically possible.