

## Item 1: Cover Page

### **Itau USA Asset Management Inc.**

**540 Madison Avenue**

**24th Floor**

**New York, NY 10022**

June 3, 2019 (corrected March 11, 2020)

*This brochure provides information about the qualifications and business practices of Itau USA Asset Management Inc. (the “Firm”). If you have any questions about the contents of this brochure, please contact Ken Goodall, Chief Compliance Officer, at (212) 710-6706. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.*

*The Firm is registered with the SEC. The Firm’s registration with the SEC does not imply a certain level of skill or training.*

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

*Firm.*

**Item 2: Material Changes**

The following is a summary of material changes made to this brochure since the Firm's last annual updating amendment to its registration as an investment adviser on March 29, 2019. Please read the entire Form ADV, Part 2A for complete information regarding the Firm.

**Material Changes Since the Last Annual Filing**

- Demetrius Rota replaced Thiago Palaia as Head Portfolio Manager of the U.S. Credit team on May 3, 2019.

**Important Information about this Brochure****This Brochure is not:**

- **an offer or agreement to provide advisory services to any person**
- **an offer to sell interests (or a solicitation of an offer to purchase interests) in any fund managed by the Firm (each a “Fund”)**
- **a complete discussion of the features, risks, or conflicts associated with any fund or advisory account**

*As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), the Firm provides this Brochure to current and prospective clients and may also, in its discretion, provide this Brochure to current or prospective investors in a Fund, together with other relevant governing documents, such as a Fund’s offering or private placement memorandum, prior to, or in connection with, such persons’ investment in a Fund. Additionally, this Brochure is available through the SEC’s Investment Adviser Public Disclosure website.*

*Although this publicly available Brochure describes investment advisory services and products of the Firm, persons who receive this Brochure (whether or not from the Firm) should be aware that it is designed solely to provide information about the Firm as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may differ from information provided in relevant governing documents. More complete information about each Fund is included in relevant governing documents, certain of which may be provided to current and eligible prospective investors only by the Firm or the Firm’s authorized agents. To the extent that there is any conflict between discussions herein and similar or related discussions in any governing documents, the relevant governing documents shall govern and control.*

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## Item 4: Advisory Business

The Firm is an investment adviser structured to provide discretionary and non-discretionary investment advisory and sub-advisory services to funds and institutional clients located or domiciled within or outside of the U.S. It is indirectly wholly owned by Itaú Unibanco Holding S.A., a reporting company under the U.S. Securities Exchange Act of 1934. The Firm provides services under the name Itaú USA Asset Management Inc.

Many of the Firm's activities involve providing discretionary advisory services directly to clients. The Firm also provides non-discretionary investment recommendations to certain affiliates and third- parties. When providing non-discretionary services, the Firm may provide recommendations and propose trades, but is not responsible for the final investment decision or for causing the trades to be made. Institutional clients include affiliates of the Firm that are engaged in banking, private banking or similar businesses, unaffiliated investment advisers, and other third-party institutions.

*Latin American Equities Strategy.* The Firm provides advisory services with respect to Latin American companies' stocks traded in local markets and in U.S. exchanges (mainly through American Depositary Receipts ("ADRs") and Global Depositary Receipts ("GDRS") and to equities of all kinds – shares in large or small capitalization companies, liquid or illiquid stocks, and global entities or firms in narrow sectors). The Firm may seek long- or short-term capital appreciation, total return, or other objectives. The Firm usually provides active management, but may also follow passive strategies – such as tracking an index – for all or part of a portfolio.

*"Funds of Funds" Strategy.* The Firm provides advisory services to funds and institutional clients with respect to investment in funds managed by U.S. and non-U.S. unaffiliated investment managers. The managers of the underlying funds generally deploy a variety of investment strategies. Although such underlying strategies may include, among others, quantitative analysis (for example, trading pursuant to computer programs or algorithms), such an investment is typically a part of a larger portfolio of funds. The Firm may provide advice regarding funds that are domiciled within and outside the United States and, in some cases, the Firm or its affiliates may have pecuniary interests in underlying funds including as a sponsor, adviser, service provider, or investor. The Firm may also provide research and non-discretionary recommendation of funds and their investment managers. Additionally, the fund of funds strategies may involve the use of derivatives.

*U.S. Credit, U.S. Equities and Other Strategies.* In addition to the foregoing, the Firm might also provide advisory services to clients regarding a broader range of securities and strategies, including U.S. equities and fixed income instruments.

The Firm seeks to tailor its advisory services to the investment objectives of its particular clients through discussions with the client upon commencement of the advisory relationship and again periodically as the Firm evaluates its advice over time. Such processes address the client's specific needs and requirements with respect to investment goals, restrictions, and target return, given an acceptable level of risk.

Investors in funds to which the Firm provides advisory services are generally not permitted to restrict the types of investments or broker-dealers/counterparties to be used by the Firm on behalf of the funds. Separately managed account clients are generally permitted to restrict the types of investments or broker-dealers/counterparties to be used by the Firm on behalf of their accounts.

As of December 31, 2018, and calculated based on the SEC's "regulatory assets under management" formula, the Firm provided discretionary advice with total regulatory assets under management of USD \$3,496,888,024.

## **Item 5: Fees and Compensation**

*Fees for Advisory Services.* When the Firm acts as sub-adviser to an affiliate, the Firm may receive periodic compensation, including reimbursement for direct and indirect costs and expenses incurred by the Firm in the performance of sub-advisory services plus an administrative fee calculated over such costs and expenses, on an arms-length basis. In most such cases, the level or amount of payments is determined internally among the Firm and its affiliate on an arms-length basis. Similar fees are paid to the firm for services to its affiliates involving the recommendation of pooled funds and investment managers.

When the Firm acts as adviser pursuant to a contract with a third-party client (including a fund) or as sub-adviser to a primary adviser or a fund client, the Firm receives fees based on a percentage of the assets under management of the account (or, for funds, net asset value). The allocation or recommendation of an affiliated fund investment results in two fees being paid to Itau, because a fee is charged in relation to the advice in relation to the recommendation as well as at the underlying fund level, as discussed further, under Item 10.

With respect to its separately managed accounts in its Fund of Funds strategy, the management fee is, generally, 75bps. In reference to the Latin America Equity strategy, the fee schedule is flexible and negotiable. For more detailed information and a complete description of the fees and costs associated with any of the investment funds sponsored by the Adviser or its affiliates, please

contact Itau USA Asset Management, Inc. at (212) 710-6706. Previous client fee schedules may have differed. All fees are negotiable.

The Firm may charge its fees monthly or quarterly in arrears, with billing generally as agreed between the Firm and its client. Fees are typically invoiced periodically to the clients. The client and/or its administrator/custodian retains sole control of how payment is made to the Firm.

When acting as a sub-adviser, the Firm generally is paid by the client's primary adviser. The timing and amount of such payments may not correlate to the timing or amount of payments that the shareholders of the fund or the final client pay to the primary adviser. The Firm currently does not require the advance payment of fees. If, in the future, the Firm agrees to arrangements for advance payment of fees, it would expect to refund pre-paid fees on a pro rata basis in the event a contract is terminated prior to the close of a billing period.

In some cases, the Firm may receive performance-based fees. Further disclosure regarding performance-based fees is provided in Item 6, below.

Clients may be subject to costs and expenses beyond the investment advisory fee. These expenses may arise from service providers such as a custodian of the client's assets. Such service providers may be arranged by the Firm, by the client or by another party (such as a primary adviser) on the client's behalf. When service providers are engaged by someone other than the Firm, it is generally the case that the Firm is not consulted as to the identification of the service provider.

A fund client is subject to additional service provider expenses, such as those charged by a fund administrator, outside legal counsel and auditors to perform the fund's annual audit and the preparation of audited financial statements. When a fund or separately managed account client invests in a private fund or offshore mutual fund, the client is subject not only to the advisory fees and expenses paid directly by the client, but also to the management fees and other expenses incurred by the underlying fund or offshore mutual fund. Such layering of fees and expenses reduces the net performance of a fund or account. As many of the underlying funds' managers charge performance-based compensation, a client may be indirectly subject to such performance-based compensation payable to certain fund managers, even if the overall performance of the client's investment in that fund is negative. Certain clients may invest in funds managed by the Firm or its affiliates, sometimes in zero fee share classes; however, even with zero fee share classes, such clients would be exposed to other underlying expenses related to the investee fund.

If the Firm manages a client's assets, the client usually incurs brokerage expenses (such as commissions or spreads) and may incur other transaction costs on purchases and sales of

investments. The client, and not the Firm, is responsible for such expenses and costs. See Item 12, below, which discusses brokerage in more detail.

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

The Firm may be party to agreements in which it is entitled to receive a performance-based fee. Portfolio managers of the Firm may manage client accounts for which the Firm may be entitled to receive performance-based fees in addition to an asset-based fee at the same time in which they are managing client accounts for which the Firm is not entitled to receive performance-based fees. As such, portfolio managers and the Firm may have an incentive to favor the performance-based fee accounts over that subject only to asset-based fees. In addition, the Firm may receive varying fees, described above, from its clients. As such the Firm may have an incentive to favor the accounts for which it receives higher fees. Additionally, the Firm may have an incentive to make investments that are riskier and more speculative than would be the case in the absence of such compensation. When the Firm acts as sub-adviser, it generally will not be aware of the specific fees or types of fees paid by the end client to the unaffiliated primary adviser, although such fees may include performance-based compensation. Currently, any performance-based compensation that a client pays to its primary adviser does not impact the level or amount of advisory fees that the Firm receives as sub-adviser. Where the primary adviser is an affiliate of the Firm, the Firm may have an incentive (even if not a direct economic incentive) to favor an account that is subject to a performance-based fee over one subject only to an asset-based fee, to the extent it is aware of such fee arrangements. Further, the Firm has a policy to treat each client equitably and maintains investment allocation procedures intended to implement such policy in an objectively fair manner. If the Firm perceives other actual or potential conflicts of interest, it will undertake to take further steps to (as appropriate) mitigate, manage, and disclose such conflicts.

### *Valuation*

Performance-based compensation, asset-based compensation, and performance reporting all may create a conflict of interest with respect to valuation of portfolio assets. Where market values are not readily available, or are deemed unreliable, the Firm seeks to assign a “fair value” to the investment representing “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date.” Fair valuation relies on Firm personnel as well as personnel of Itau Group and, in some cases, third parties, to assign a price based on various factors and inputs and taking into account a variety of relevant pricing methodologies. Because fair value pricing requires the application of judgment to establish a good faith approximation of the value of an asset as of the measurement date at the time the valuation is performed, fair valuation will not necessarily reflect the actual or empirical value of any asset as might be determined with the benefit of hindsight. Thus, the fair value



assigned to an asset may not match the next available and reliable market price or, in retrospect, have been the price that would have been paid had that asset actually been sold on the measurement date.

In some cases, such as investments in funds or credit linked notes, the Firm may rely on values or use inputs provided by the issuer, the manager of the fund, or the custodian in valuing a client's interests. These persons are subject to similar conflicts of interest. In some cases, the party providing valuation information or inputs may be a member of Itau Group.

## **Item 7: Types of Clients**

The Firm may provide advisory services to funds, high net worth individuals and institutional clients domiciled or located within or outside of the United States on a discretionary and non-discretionary basis as adviser or sub-adviser. The Firm reserves the right to decline any new engagement, or to negotiate terms of any kind.

The Firm also provides advice to certain affiliates. This advice is general in nature, and is not intended to address the needs of any particular customer of the Firm's respective affiliate. Currently, such advice relates primarily to analysis of hedge funds, offshore mutual funds and their managers. The Firm does not necessarily know whether any of such advice is included in the services provided to the affiliates' clients.

In reference to the Latin America Equity strategy, and Fund of Funds separate managed account strategies the minimum account size is generally USD \$25,000,000. Previous minimum account size may have differed. At any time, the Firm may accept smaller investment accounts, or impose any higher minimum, in its discretion. The primary adviser to a fund or account for which the Firm acts as sub-adviser may impose its own account minimum. These minimums may vary greatly and are generally within the full discretion of the primary adviser, over which the Firm generally has no influence.

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

### Investment Strategies

*Latin American Equities Strategy.* The Firm may advise in strategies involving Latin American companies' equities, regardless of size of capitalization, liquidity or sector. The Firm may seek long- or short-term capital appreciation, total return, or other objectives determined in consultation with a client. The Firm generally trades actively, but at times may follow passive

strategies, for all or part of a client's portfolio. The Firm may also engage in hedging and derivative strategies.

*Funds of Funds.* The Firm may provide advice to its affiliates or others, including funds, as to the investment of assets in various types of pooled investment vehicles (e.g., private funds, hedge funds or various offshore mutual funds). When managing a fund of hedge funds, providing advice regarding separately managed accounts that invest in hedge funds, or providing analysis of hedge funds, offshore mutual funds or their investment managers to affiliates, the Firm seeks to apply an organized approach to analyzing funds and managers. The Firm applies a process of investment diligence concerning each underlying fund or manager. Generally, the Firm overlays a top-down view (that is, determining allocations among categories of managers) on a bottom-up selection of managers (that is, determining appropriate managers to receive allocations within such categories), though the Firm may not always engage in any particular conduct when making any particular investment decision or recommendation. Hedge funds generally have greater flexibility in terms of investment management than many other financial products, and the Firm generally seeks greater consistency of returns by focusing on diversification of managers.

*U.S. Credit, U.S. Equities, and Other Strategies.* In addition to the foregoing, the Firm may advise clients on a broader range of securities and strategies, including (as general examples) fixed income securities, equities (including equity-related securities such as rights and securities convertible into equities), cash management and derivatives related to issuers in developed and emerging market countries.

The Firm may formulate its advice based on any number of factors, including research produced internally or by third parties.

### *Risk Factors*

The Firm uses various methods of analysis and pursues different investment strategies for its clients. The Firm's investment activities involve a significant degree of risk of loss that clients and investors should be prepared to bear. This section discusses the instruments used in advising clients in accordance with these strategies and related risks. However, it is not possible to identify all of the risks associated with investing, and the particular risks associated with the Firm's management of an account will depend on the nature of the account, its investment objectives and strategies and the types of investments held.

While the Firm seeks to advise clients so that risks are appropriate to the return potential for the strategy, it is often not possible or desirable to fully mitigate risks (because, as discussed below, mitigation of risks may reduce the potential for return). Any investment includes the risk of loss and there can be no guarantee that a particular investment objective or level of return will be achieved. Past performance of the Firm, including any strategy or any security is not an indicator of future performance.

The Firm's investment mandates for funds or accounts may be limited to certain types of investments and may not be diversified. A fund or account is not intended to provide a complete investment program and the Firm expects that the assets it manages generally do not represent all of a client's or with respect to a Fund, an investor's assets. Clients and investors are responsible for appropriately diversifying their assets to guard against the risk of loss. When investing in a fund or account advised or sub-advised by the Firm, the client is advised to review the risks outlined in the offering memorandum or any other risk-related disclosures provided by the fund or the Firm or, if the Firm is a sub-adviser to an account, by its primary adviser. Advisory personnel are also available to discuss risks with any client.

The following is not necessarily a comprehensive list of risks a client may be subject to with respect to investment strategies of the Firm. The Firm may also, in consultation with clients, develop other strategies that entail other risks not considered below.

*Latin American Equities Strategy.* A strategy involving purchasing equities – a “long” strategy – may be most effective during rising markets. During severely falling markets, such a strategy may lose a significant percentage of its value. For accounts in which the Firm trades actively, a client is subject to the risk that the Firm times markets incorrectly (such as selling a stock that then rises in value) or that the results of the Firm's research (such as a client should purchase or sell a security) are not consistent with subsequent market sentiments (such as the overall market selling the security and depressing its value). For accounts in which the Firm follows more passive strategies, a client is subject to the risk that the Firm may not have the flexibility to respond to market events or apply certain research to the benefit of a client.

*Credit Risk.* The Firm's clients may engage in fixed-income strategies which involve credit and default risk and interest rate risk. Credit risk is the risk of loss due to credit events related to an issuer; and default risk is the risk of an issuer's default on its obligation to pay interest and repay principal. To the extent that the portfolios may invest in structured products, derivative or synthetic instruments, or other over-the-counter transactions or in non-U.S. securities, in certain circumstances, a portfolio may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions which generally are backed by clearing organization guarantees,

daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. In addition, the Firm's clients may engage in derivative strategies to attempt to enhance return.

*Investment Risk.* Some clients may seek long-term growth in asset value, which may result in holding an asset despite its loss of value or missing out on new market trends. Other clients may seek short-term gains, which may result in higher turnover rates; increase a client's tax liabilities; increase a client's transaction costs over time, due to potentially greater incidences of brokerage or similar expenses; and increase volatility of the portfolio. In addition, the Firm may seek to concentrate client investments in specialized market sectors, specialized industries or in a limited number of issuers. A portfolio with such concentration may involve greater risk and volatility than a portfolio with broadly based investments. Differences in client objectives and investment horizons may result in the Firm making decisions for one client which differ from decisions made for other clients (e.g., buying securities of an issuer for one account while selling securities of the same issuer for another account).

*Short selling Risk.* Additionally, some of the clients of the Firm may engage in short sales, which may be used to hedge against the risk of declines in the market value of the Fund's long portfolio. However, there is no guarantee that such hedging operations will be successful. Additionally, short sales that are made "against the box" are considered to be speculative. The Firm may use short sales for hedging as well as speculative purposes. Some of the Firm's clients may use hedging transactions, including short selling and the use of derivatives. Such hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the value of the portfolio positions or prevent losses if the values of such positions decline. Such hedging transactions also limit the opportunity for gain if the value of the portfolio position increases.

*Fund of Funds Strategies.* Fund of fund strategies may involve significant exposure to speculative investment techniques. Clients may lose all or a substantial amount of their investment with this strategy. Despite any efforts to diversify sources of investment returns by investing in multiple funds or offshore mutual funds, the Firm's clients could be subject to concentration through multiple managers holding the same underlying position(s) at the same time. The Firm will not always be in a position to be aware of such concentration risk, which may result in volatility or losses to Firm clients. Traditional investments tend to be suited to rising markets. Hedge funds often utilize a variety of financial instruments and strategies, sometimes to "hedge" against market losses. On the other hand, however, funds that hedge against losses may not benefit from general market gains in the same way as a traditional investment. For that reason, hedge fund investors sometimes may miss out on the full extent of market rallies. Although the Firm's fund of fund strategies seek to deliver "alpha" (often through better-than-market returns), there can be no assurance that the Firm will be successful in achieving that goal. Similarly, although the Firm may

seek assets having low directional exposure, its fund of fund strategies may nevertheless have results that correlate to the overall markets.

The Firm often seeks to find managers of hedge funds or offshore mutual funds that have a “repeatable” process. Despite any analysis of past activities of a manager, however, there can be no assurance that any manager will be able to repeat its process or will do so with the same discipline as in the past. The flexibility that private funds generally have in terms of investment management can result in a risk that a hedge fund manager may be more able to act in ways that benefit the manager over the interests of the fund or its investors. The Firm conducts diligence on each investment manager with which it causes a fund of funds to invest, and seeks updated information from managers over time. Despite any efforts, however, the Firm cannot provide any assurance that it will identify all matters of potential concern or address all such concerns in a consistent manner across underlying investment managers.

*Hedge Fund or Offshore Mutual Fund Interests.* An investment in hedge fund or offshore mutual fund securities carries with it many risks, in addition to those set out above concerning hedge fund and offshore mutual fund strategies. Key risk areas identified by the Firm as it conducts its diligence on a hedge fund or offshore mutual fund investment manager include:

- *People.* Hedge fund managers tend to rely more on the expertise of particular individuals within the manager than certain other investment firms. Offshore mutual funds may also rely on the expertise of particular individuals. For these reasons, an event that affects a key person, or the departure of a key person, can have a significant effect on the performance of the hedge fund or offshore mutual fund. Such an event or departure can also cause a strong reaction by fund investors, who may seek an exit from the fund or other extraordinary action that could have an adverse effect on any of the Firm’s clients that continue to hold an interest in such a fund.
- *Processes.* A fund manager’s processes may be less rigorous or subject to fewer checks and balances within the organization than certain other asset managers. The Firm’s clients could be adversely affected by a fund manager that does not consistently act in a manner expected by the Firm.
- *Valuation Control.* Valuation is often difficult to determine in a precise and objective manner.

Fund managers receive compensation based on the valuation of fund assets, and have a significant conflict of interest with respect to such valuation. While many fund portfolios receive independent valuations, not all do. In any event, a fund's valuation agent generally relies on at least some information provided by the fund manager. Further, the Firm is not able to independently verify managers' valuations. Although the Firm seeks to assure that fund managers prepare valuations appropriately, and although audit or review of fund financial statements can provide assurance beyond the Firm's own diligence, no assurance can be provided that proper valuations will at all times be determined by all fund managers in which the Firm's clients invest. Fund managers may have conflicts of interests with respect to valuation, particularly when they receive performance based compensation. *See Item 6, above.*

- *Technology Infrastructure.* Although this is an area covered by the Firm's diligence, the technology of fund managers varies greatly, and the Firm's clients are subject to risk of loss should problems with the manager's technology resources arise.
- *Compliance.* Although part of the Firm's diligence, the implementation of a compliance program can require constant attention, and issues concerning compliance by a hedge fund manager with regulations, investment restrictions or other important matters may from time to time arise. Such occurrences may have an adverse effect on the manager's ability to focus appropriately on its investment program, and under certain circumstances compliance lapses could have direct adverse effects on values of the portfolios of the Firm's clients.
- *Service providers and counterparties.* The Firm's clients are subject not only to risks involving a fund manager, but also the fund's service providers. Although part of the Firm's diligence with respect to hedge fund investments, no assurance can be provided that the actions of such other service providers will not result in losses to the Firm's clients. Funds also may have important relationships with counterparties, such as lenders, borrowers (including issuers of notes or other debt), and derivatives counterparties. Should such counterparty fail to meet its obligations to a fund, the Firm's clients would generally indirectly suffer any losses incurred by the fund, and contractual and other legal remedies may be limited or inadequate.

Hedge fund interests are generally illiquid and permit redemptions only infrequently. Investors in hedge funds often have no or limited voting rights. Such investors may be subject to significant levels of fees and expenses. Other investors may be party to side letters with a hedge fund manager that provides the investor favorable rights or terms as compared with those of a Firm client, including with respect to fees, liquidity or transparency of information.

A hedge fund or offshore mutual fund manager may use speculative investment techniques and may employ substantial leverage (including borrowing for investment purposes) that can magnify gains, losses and volatility. The Firm expects to have no ability to direct or influence the manager of an underlying fund. A hedge fund investment may provide for indemnification to the hedge fund manager that could result in an investor's return of redemption proceeds or distributions under certain circumstances.

A hedge fund could, from time to time, provide for in-kind redemptions, whereby a redeeming fund investor could receive portfolio securities rather than cash. Investors may not be prepared to accept such securities and may incur costs and delays in handling or disposing of such securities. The performance of the Firm's fund of funds strategies depends primarily on the underlying hedge fund or offshore mutual fund managers. No assurance can be given that any hedge funds or offshore mutual funds will successfully implement their investment strategies or achieve their investment objective.

Hedge fund managers will generally become subject to greater regulation and compliance burdens. As a result, the cost of investing in a hedge fund may increase, which would have an adverse effect on the net returns for Firm clients.

*Limited Diversification.* Some portfolios will seek to diversify their assets through investments by taking long or short positions in various different equities. However, although some portfolios may invest in a wide range of equities or fixed income, the majority will be issued by listed companies in Latin American countries and will therefore be subject to overall market movements and trends

*Market Risks.* The profitability of a significant portion of the portfolios' investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that the Firm will be able to predict accurately these price movements. Although the Firm may attempt to mitigate market risk through the use of long and short positions or other methods, there is always some, and occasionally a significant, degree of market risk.

*Investment Style.* The Firm in reference to some portfolios may intend to pursue a flexible and often aggressive investment style. In this regard, the Firm expects to employ any investment technique or strategy that the Firm believes will help the Fund achieve its investment objective. As a result of the speculative nature of the investments and strategies used by the Firm, the investment performance of the portfolio may be more volatile than that of the securities markets

generally. The portfolios' success depends on the Firm's ability to implement the portfolios' investment strategy. Any factor that would make it more difficult to execute more timely trades, such as a significant reduction in liquidity in a particular market, may also be detrimental to profitability. No assurance can be given that the investment strategy to be used by a portfolio will be successful under all or any market conditions. Past performance of the portfolios, the Firm or their affiliates is no guarantee of future results.

*Interest Rate Risk.* Because some portfolios may invest in debt securities, they are subject to interest rate risk. Generally, the value of debt securities will change inversely with changes in interest rates. As interest rates rise, the market value of debt securities tends to decrease. Conversely, as interest rates fall, the market value of debt securities tends to increase. This risk will be greater for long-term securities than for short-term securities.

*Liquidity Risk.* Portfolios assets may, at any given time, include securities and other financial instruments or obligations which are very thinly traded or for which no market exists or which are restricted as to their transferability under applicable federal securities laws. The sale of any such investments may be possible only at substantial discounts.

*Regulatory Conditions and Restrictions in non-U.S. Markets.* Prior governmental approval for non-U.S. investments may be required under certain circumstances, and registration of investments with the central bank or securities regulator of the applicable Latin American country may be mandatory. Repatriation of investment income, assets and the proceeds of sales by foreign investors may be subject to governmental control. The portfolios could be adversely affected by delays in obtaining, or a refusal to grant, any required governmental registration or approval for such repatriation or by withholding taxes on interest paid on securities held by the portfolios or gains from the disposition of such securities.

*Legal Risk in Latin American Countries.* In Latin America, many of the laws that govern private and foreign investment, securities transactions and other contractual relationships are new and largely untested. As a result, a portfolio may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of more developed markets and lack of enforcement of existing regulations. Furthermore, it may be difficult to obtain and enforce a judgment. There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on a portfolio and its operations. In addition, the income and gains of portfolios may be subject to withholding taxes for which Investors may not receive a foreign tax credit. Legal, tax and/or regulatory changes can occur in any country in which a portfolio has investments and, in the



event of such occurrence, the investment return may be adversely affected. In addition, regulations could be imposed in the future on the operations of portfolio and the Firm that adversely affect the ability of the portfolio to implement its strategies. The regulation of the international securities and derivatives markets has undergone substantial change in recent years, and such change is expected to continue for the foreseeable future. The effect of regulatory change on the portfolio, while impossible to predict, could be substantial and adverse.

*Suspension of Trading Risk.* Securities exchanges typically have the right to suspend or limit trading in any instrument traded on the exchange. A suspension would render it temporarily or permanently impossible to liquidate positions and could thereby expose the Fund to losses.

*Investments in Securities of Latin America and Other Emerging Market Countries.* Investment in securities of emerging market countries (such as Brazilian or Latin American securities) may be subject to greater risks than U.S. securities and securities of developed markets. Such securities may be subject to greater volatility than investments in developed countries. The economies of such countries may be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other measures imposed or negotiated by the countries with which they trade. Some of these countries may have relatively unstable governments; economies based on only a few industries and may not have well developed regulatory systems. The securities of emerging market countries may also have relatively less trading volume, resulting in a lack of liquidity, higher transaction costs and higher volatility. In addition, they may be subject to fluctuation of currency exchange rates and may be subject to risks involved in settlement of securities transactions, because counterparties in such countries may not be well capitalized. Accordingly, changes in currency exchange rates will affect the value of investments. Further, the client investments may incur costs in connection with conversions between currencies. Furthermore, custody and registration of assets in some of these countries may be unreliable. Additionally, such countries may have generally accepted accounting, auditing and financial reporting practices that are different from those in developed markets. The accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to companies in such countries may be less stringent than those of developed countries. The Firm may invest in various types of securities of, and instruments related to, these issuers; each of which will be subject to risks based on the nature of the investment, as described below.

*Equity Securities.* The Firm's clients may invest in U.S. equity securities and equity securities of other developed countries and emerging market countries. The investment performance of equity securities depends on factors which are difficult to predict. Such securities are subject to sudden or prolonged market declines and risks associated with individual companies. Equity security

values may fluctuate in response to general market conditions or in response to the activities of the issuer.

*Small Capitalization Equities.* The Firm's clients may invest in small capitalization equities of companies of developed and emerging market countries. There are certain risks associated with investing in the securities of small companies. The market prices of small cap securities may be more volatile than those of larger companies. In general, there is usually less publicly available information about small cap companies than there is for larger companies. In addition, small cap companies may have smaller market share than larger companies and thus, they may be more vulnerable to changes in the economy than larger companies.

*Currency Risk.* Clients may invest in different currencies and Funds may be denominated in currencies other than those of the securities in which they invest. Currency fluctuations may influence the value of accounts. The Firm may, but is not necessarily required to, seek to hedge currency risk.

*Fixed Income.* The Firm may recommend investments in fixed income securities of developed and emerging market countries. Emerging market fixed income securities are subject to high risk and may not be rated for creditworthiness by an internationally recognized credit rating organization. In addition, fixed income securities, in general, may be subject to price volatility due to interest rate sensitivity, market perception of the creditworthiness of the issuer and general market risk.

*Derivatives.* The Firm may also recommend investments in financial derivative instruments of developed and emerging market countries which may include the use of derivatives (e.g., options, forward currency exchange contracts, warrants, swaps and futures contracts and options thereon). Such instruments involve investment risks and transaction costs. Such risks include increased volatility, failure to produce expected results and may result in losses to the portfolio. These instruments are speculative. Certain positions may be subject to wide and sudden fluctuations in market value, resulting in fluctuation of the amount of profits and losses. Using derivative instruments has the risk of leverage. Trading in derivatives can result in large amounts of leverage. The leverage offered by trading in derivative instruments may magnify the gains and losses that are experienced by the client. Derivative instruments not traded on exchanges are also not subject to the same type of government regulation as exchange-traded instruments and many of the protections afforded to participants in a regulated environment may not be available in connection with such instruments. In addition, the Firm's clients may engage in derivative strategies to attempt to enhance return. These strategies may include the use of options, forward currency exchange contracts, swaps and futures contracts and options thereon as well as hybrid instruments. Participation in the options and futures markets and in currency

exchange or swaps transactions involve risks such as an increase in volatility of the client account and risk of loss to the client account; and such strategies are speculative.

*Credit Linked Notes.* The Firm may seek additional return through investments in Credit Linked Notes, a type of structured note. The return of a Credit Linked Note is based on that of a reference credit, generally that of a corporation or other business entity. However, unlike direct investments in the reference credit, Credit Linked Notes also provide additional return based on the exposure taken to an issuer of the note. When investing in Credit Linked Notes, the Firm negotiates the terms of the Credit Linked Note with counterparty, which will often be a member of the Itau Group. Although the terms and conditions may vary, Credit Linked Notes (unlike swaps) generally involve the payment of the principal amount to the issuer of the note and, so long as the Credit Linked Note remains performing, periodic interest payments from the issuer of the note to the client, with principal being returned at the end of the term of the Credit Linked Note. Credit Linked Notes are subject to credit risk of both the issuer of the note and the reference credit. If either were to default, the client would lose principal and no longer receive interest. As compensation for this increased risk, Credit Linked Notes generally pay interest at a higher rate than would be available from fixed income securities of the counterparty or the reference credit having similar economic terms. Because Credit Linked Notes are individually negotiated, there is no ready market. Should a client require liquidity, early termination of the Credit Linked Note would need to be negotiated with the counterparty or a private buyer identified (assuming that the Credit Linked Note allowed for its assignment). Credit Linked Notes may also be difficult to value and the Firm bases its valuation of Credit Linked Notes, in part, on information provided by the counterparty. Such information may not be as accurate as market data. The Firm seeks to negotiate Credit Linked Notes with affiliated counterparties in good faith; however, conflicts of interest exist where an Itau Group member is the counterparty.

## **Item 9: Disciplinary Information**

Not Applicable.

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

Certain of the firm's employees and certain associated persons employed by participating affiliates are registered representatives of the Firm's affiliated broker-dealers.

The Firm is part of the Itau Unibanco conglomerate, a large financial services conglomerate headquartered in Brazil that has numerous affiliates engaged in financial services activities. The Firm's parent, Itau Unibanco, SA (Itau Brazil) and another subsidiary of Itau Brazil, Itau Chile Administradora General de Fondos, S.A. (Itau Chile) are Participating Affiliates of the Firm [as used by the SEC in Unibanco No-Action letter (July 28, 1992)]. The Firm provides advisory services to its clients in some instances utilizing the services of certain employees of Itau Brazil and Itau Chile. Such employees are "associated persons" of the Firm and act as representatives of the Firm in providing advisory services to the Firm's clients. Further information on any such employee meeting the criteria of Part 2B is provided therein.

The Firm allocates assets in relation to funds managed by unaffiliated asset managers, as well as, on occasion, the Firm's affiliates, including funds that it also manages, as disclosed in the relevant fund's offering document. Underlying funds impose fund-level fees, including management fees paid to that fund's manager, and those fees and expenses are not waived, nor do they reduce, Fund level fees and expenses. When allocations are made or recommending involving an affiliated fund (including one that is managed by the Firm), it has a conflict of interest because the two fees are paid, ultimately, to Itau. Although a conflict, it should be noted that the advisory services performed by the Portfolio Manager at the Fund level differ from those performed by the affiliated manager (or the Portfolio Manager itself) for the underlying fund. The Portfolio Manager selects and monitors the Fund's investment in underlying funds and is paid a fee for that service. In contrast, the manager of that underlying fund (whether unaffiliated or affiliated with the Firm, or the Portfolio Manager itself) evaluates, purchases and sells specific securities and financial instruments for the underlying fund to invest in.

In selecting and retaining an underlying fund that is managed by the Firm or an affiliate, investing in an unaffiliated fund may turn out to have been a better investment. Further, while the Firm employs some objective measures in considering, monitoring and assessing the performance of each underlying fund, it should be noted that such decisions are based on the Portfolio Manager's subjective determination, and when investing in an affiliated fund the Portfolio Manager faces a conflict that could result in not redeeming out of that fund for a longer amount of time than would be case of an unaffiliated fund.

The Firm may, from time to time, causes its clients to use the brokerage services of an affiliated broker-dealer (or another type of intermediary in non-U.S. markets) consistent with the Firm's obligation to seek best execution and in compliance with client consent, if required by contractual arrangements or applicable law. The use of an affiliated broker-dealer may involve material conflicts of interest, as the Firm may have an incentive to benefit an affiliate to the disadvantage of the Firm's clients. The Firm may have incentive to direct trades to affiliated broker-dealers even though they may charge higher commissions or provide inferior pricing or executions than

unaffiliated broker-dealers. If the Firm were to use an affiliated broker-dealer for executing an order for a Firm client, the Firm would seek to address these conflicts of interest through adherence to its policies and procedures, including a policy to treat clients fairly in connection with brokerage and policies on best execution, trade allocation and broker approval procedures. The Firm reviews such practices periodically for assurance that the brokerage was directed for appropriate reasons and with only the interests of the client in mind.

The Firm may purchase certificates of deposits, credit linked notes or other monetary instruments issued or distributed by Itau Unibanco S.A. or its affiliates for its clients and may execute such orders through affiliated broker-dealers. Such purchases are at an arms-length basis. The Firm has entered into service level agreements with Itau Unibanco S.A., an indirect parent company of Itau USA Asset Management Inc. and Itau Global Asset Management, Ltd., its parent company, pursuant to which the Firm provides discretionary and non-discretionary advisory services as sub-advisor. In addition, pursuant to these agreements, the Firm provides marketing and relationship management services to Itau Unibanco S.A. and Itau Global Asset Management Ltd. Additionally, the Firm has entered into an expense sharing agreement with Itau Unibanco S.A. – NY Branch, Itau BBA USA Securities Inc. and Banco Itau International for expenses relating to shared office space, personnel, and other services. In addition, certain employees of the Firm are registered representatives of Itau BBA USA Securities, Inc., an affiliated broker-dealer registered with the U.S. Financial Industry Regulatory Authority. Such employees may be engaged in sales activities involving interests in funds managed by IUAM.

Additionally, some of the Firm's directors may serve on the board of directors of the pooled investment vehicles that the Firm manages as well as other companies of Itau Group. The Firm receives support services from Itau Unibanco S.A., including: legal, auditing, business continuity planning, information technology, operations and other back-office services. The Firm also has an insurance company affiliate and certain non-U.S. affiliated investment advisory or other financial entities that have no interaction or arrangements with the Firm.

Further, Itau Unibanco S.A. Banco Itau Europa Luxembourg S.A., Banco Itau Suisse and Banco Itau Chile provide custodial and/or administrative services to funds and/or accounts managed by the Firm. See Item 15 for further discussion on custody arrangements.

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

### *Code of Ethics*

The Firm has adopted a Code of Ethics in its Compliance Manual that summarizes the Firm's duties as a fiduciary, as well as the related obligations of its associated persons. The Code of Ethics describes standards of conduct and includes a personal trading policy.

The Code of Ethics requires each employee to acknowledge that they have an obligation to hold themselves to the highest standard of fairness and to comply with all U.S. federal securities laws and the rules governing the capital markets. Employees must, among other things, avoid circumstances that could produce conflicts or the appearance of conflicts between their personal interests and those of the Firm and its clients, as well as abide by strict rules governing personal trading.

The Code of Ethics provides for initial and annual reporting by employees (called "Access Persons") of various matters, including conflicts of interest, compliance with laws and rules, and accounts over which an Access Person has beneficial ownership interest or may exert influence or control and that hold or can hold reportable securities. In addition, Access Persons must report all transactions in reportable securities on a quarterly basis.

Access Persons must obtain pre-clearance from the Compliance Officer prior to opening any new brokerage account and for all transactions in "reportable securities" (including IPOs and Private Placements), with the exception of certain broad-based ETFs. Access Persons are generally prohibited from making direct investments in Latin American equity securities except under limited circumstances and are subject to restrictions in reference to trading any securities issued by Itau Group. Furthermore, Access Persons are subject to restrictions when trading securities in their personal accounts which are also traded in client accounts. In addition, Access Persons are restricted from short-term trading and may not trade pursuant to material non-public information. Employees must inform the Compliance Officer of any violation of the Code of Ethics that comes to his or her notice. Each employee of the Firm must sign a certificate at least annually that the employee has read, understood and has complied with the Code of Ethics.

A copy of our Code of Ethics is available to any client or prospective client upon request.

*Recommendations of Securities to Clients*

The Firm recommends to clients securities in which our employees may have an interest. A conflict of interest may arise by which an employee may have an incentive to recommend or trade such a security for a client in order to indirectly benefit the performance of the security, although the Firm expects that such an effect would be likely to occur only rarely. To mitigate or address such conflict of interest, the Firm has adopted a policy of placing client interests before those of the Firm or its personnel and has implemented the Code of Ethics described above in this Item.

The Firm or its affiliates may, as principals, enter into securities transactions with clients. Although the Firm does not currently expect to engage in this practice frequently, clients may seek certain investment strategies under which the practice may occur. In such an event, the Firm will obtain such informed consent from clients as is required by applicable law. The Firm would have a conflict of interest in connection with any such transaction, and may be motivated to choose to engage in such a transaction rather than seeking a more appropriate third party, as it or its affiliates may receive economic benefits from being on the other side of such transaction. The Firm would also have an incentive to value any such asset in a manner favorable to it or its affiliate, and unfavorable to the client. To mitigate or address such conflict of interest, in addition to any consent process, the Firm has adopted a policy of placing client interests before those of the Firm or its personnel, has implemented the Code of Ethics described above in this Item, and has adopted objective valuation procedures.

The Firm may encounter additional conflicts of interest in connection with client transactions and to mitigate or address such conflicts, generally will follow policies and procedures similar to those described above. For example, the Firm may advise a client to invest in a fund in which the Firm or an affiliate of the Firm serves as a sponsor or distributor; or which the Firm or an affiliate of the Firm advises; or which an affiliate of the Firm has a material financial interest. In such a case, as the Firm or its affiliate would receive fees and may receive other benefits from that investment, the Firm has an incentive to place clients in such investments. Where a conflict of interest is expected to arise, senior personnel will typically be consulted, and the Firm will review such transactions over time and consider additional improvements to policies or procedures. Additionally, the Firm has implemented the Code of Ethics as described above and other trade allocation procedures to ensure that all clients are treated fairly.

### *Personal Trading*

The Firm and its personnel may, from time to time, hold or trade in the same securities as clients hold or trade. The Firm's personnel have several restrictions in place to avoid potential conflicts of interest, including, but not limited to, restriction on type of securities, Compliance Officer pre-clearance for personal securities transactions, and other restrictions placed on personal securities trading. Still, such activity may result in conflicts of interest, as the Firm or its personnel who invest in securities may have an incentive to place clients in those same securities to the advantage of the Firm or the personnel, and may have an opportunity to engage in activities such as front-running (that is, trading in advance of fund transactions). To mitigate or address such conflict of interest, the Firm has adopted a policy of placing client interests before those of the Firm or its personnel, has prohibited front-running and has implemented the Code of Ethics described above, as well as investment opportunity allocation procedures. The Firm periodically reviews reports made under the Code of Ethics and other information, and will generally take measures in the event that an intentional or inadvertent advantage in favor of the Firm or its personnel is detected from time to time, or over time.

The Firm or its personnel may engage in the trading described in the preceding paragraph at the same time, and in the same securities, as such trading occurs in client accounts. The conflicts of interest, and mitigation of such conflicts, are as described in the preceding paragraph. In addition, under certain circumstances, a portfolio manager may undertake to have "skin in the game" (that is, trading in the same securities as the client account he or she manages, with the purpose of aligning the portfolio manager's interests with those of the client). Despite any intent to align interests, such a trading program may also pose conflicts of interest. For example, such a portfolio manager may have an incentive to cause the client account to trade in a security based on the portfolio manager's personal desire for exposure to that security. The Firm's Code of Ethics requires that employees, including portfolio managers, obtain pre-clearance for personal securities transactions and places restrictions on the period of time in which an employee may trade a security that is also held or traded in a client account. The Firm may take measures in the event that an intentional or inadvertent advantage in favor of the portfolio manager or any other personnel or the Firm is detected.

### *Treatment of Material Non-Public Information/ Insider Trading Policy*

From time to time, the Firm or its personnel may obtain, either voluntarily or involuntarily, material non-public information. Under applicable law, the Firm is generally prohibited from disclosing or using such information for its benefit or for the benefit of any other person, including Clients. The Firm maintains insider trading policies to promote compliance with these



requirements. Under these policies and applicable law, the Firm may be unable to take action for Client accounts, even where failing to take such action might be a detriment to Clients.

## **Item 12: Brokerage Practices**

### *Selecting Broker-Dealers*

When providing discretionary advice, the Firm is generally authorized to select broker-dealers to execute transactions. Broker-dealers must be defined specifically for each market as follows: futures, equities, options, forwards, etc. With respect to hedge fund investments, broker-dealers are not generally used in the traditional manner, however certain transactions will be placed through a placement agent and clients bear placement agent fees and any other transaction costs associated with transactions in hedge funds and other pooled vehicles.

When placing brokerage, the Firm considers a variety of factors, including, but not limited to the following: the commission rate, trading expertise, reputation, responsiveness, research capabilities, ability to execute trades efficiently, operational efficiency, access to IPOs, and access to a range of secondary markets.

Where relevant, transactions generally must be placed through approved broker-dealers. Broker-dealers undergo a due diligence assessment prior to being selected by the Firm as an approved broker-dealer. The assessment consists primarily of submitting a questionnaire covering detailed aspects of (i) identification and contacts, (ii) institutional information, (iii) financial information, (iv) regulatory entities and auditing, (v) compliance and internal controls, (vi) back-office processing and structure and (vii) risk management. The following areas within Itau Group (i.e., IUAM and its affiliates) are engaged in the due diligence of broker dealers: asset management, operational risk, financial risk, back and middle office and information security. At this stage, operational aspects of the broker-dealer's control and technology structure are assessed, such as: (i) software used; (ii) existence of contingency plan; (iii) existence of code of ethics; (iv) the existence of compliance and risk structure and controls and (v) existence of procedures manual. Itau Group's credit area also analyzes financial data and character of the broker-dealer and the asset management team analyses the quality of the broker-dealer's services, including execution capabilities, commission rates, and the value of any research. These broker-dealers are then submitted to the Itau Group brokerage committee for evaluation and final decision by committee members, who determine whether a broker-dealer is eligible to be on the approved brokers list.

Itau Group's brokerage committee is made up of senior personnel, one responsibility of which is to focus on broker-dealer selection and other areas in the Firm's due diligence processes. The

Firm seeks to select broker-dealers for and from the approved broker list in a manner that is consistent with the Firm's duty to seek best execution of client transactions.

The Firm's traders (which may include certain Portfolio Managers) are responsible for determining the appropriate means of executing transactions and, when executing through broker-dealers, for selecting the broker-dealer from the approved broker list. In making these determinations, traders may consider, among other things: (i) listed bids and asks; (ii) the opportunity for price improvement; (iii) transaction costs (including commissions, mark-ups/downs, spreads, etc.); (iv) anonymity; (v) speed of execution; (vi) expertise with difficult transactions; (vii) trading style and strategy; (viii) geographic location; (ix) frequency of errors; and (x) access to new issues.

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

Although IUAM does not enter into formal soft dollar arrangements or client commission arrangements with broker-dealers, IUAM may receive research or brokerage services from broker-dealers that execute, or seek to execute, portfolio transactions on behalf of the Firm's clients. In allocating brokerage, IUAM may take into consideration the receipt of research services as long as such consideration does not jeopardize the objective of seeking best price and execution in connection with the transaction. When appropriate under its discretionary authority and consistent with the duty to seek best execution, IUAM may direct brokerage transactions for client accounts to broker-dealers who provide IUAM with research and brokerage products and services. IUAM uses research and other soft dollar benefits to service all of our clients, including clients who, under applicable law (MiFID II) or by contract, prevent IUAM from paying commissions higher than those charged by broker-dealers for execution services only. In such cases, clients who pay-up, or pay commissions higher than solely for execution services, essentially pay for the research used on behalf of all clients, including those who do not pay-up.

The Firm may choose to engage in formal soft dollar arrangements in the future subject to policies and procedures relating to conflicts of interest and related matters, and would provide further brochure disclosures at that time.

#### *Aggregation of Securities for Multiple Client Accounts*

The Firm is not required to aggregate trades for multiple client accounts, and will not always do so, even when multiple clients are purchasing or selling the same security at the same time or on the same day. Should the Firm not aggregate trades in the same security, each client involved may pay higher transaction costs than would otherwise apply had the trades been aggregated. This is

because a single trade made in a larger, aggregated amount may benefit from a discounted brokerage commission or otherwise have economies of scale relative to multiple smaller trades. Despite those possible benefits, the Firm believes that, when portfolios are not being operated in a coordinated manner (such as being managed by different personnel, or following different strategies), it may be appropriate to provide for each portfolio to transact separately, even if they happen to trade in the same security at or around the same time. In addition, for investments in hedge funds, for various reasons, it is not always practicable for multiple investors to be accepted by a particular underlying manager at the same time.

Any determination whether to aggregate a trade among multiple client accounts will be made on a case-by-case basis, and will be made consistent with the Firm's policy to seek to act in the best interests of each client and treat each client in a fair manner. Factors that the Firm's personnel may consider include, for example, whether the accounts have the same strategy, the liquidity of the security, benefits of aggregating a trade, whether the aggregation will reduce the speed with which the trade may take place, and whether trades in the same security are contemplated for multiple accounts early in the day. Not all of these factors will necessarily be considered in each instance, and other factors may be considered as portfolio managers determine appropriate under the circumstances.

The Firm has a policy of seeking to treat each client account fairly and equitably, relative to other client accounts, over time. When executing on a block basis, participating accounts will receive the average price and pay a proportionate share of transaction costs, subject to minimum ticket charges, with respect to completed orders. Where a block trade results in a partial fill, the Firm will generally allocate the filled portion, pro rata based on each participating account's initial request, as set forth in written pre-allocation instructions.

The Firm will periodically review its aggregation practices, and should any resulting material disadvantages to one or more clients over time be identified, take measures to improve the processes in this area.

### **Item 13: Review of Accounts**

Clients' accounts are continuously reviewed by the portfolio managers. During such reviews, the account's performance, compliance with investment restrictions and similar measures are considered.

Additionally, the Chief Compliance Officer (CCO) will particularly review an IUAM account under management upon receiving an indication of potential, material compliance issues relating to the account. The CCO will document the date of the review, the accounts reviewed and any irregularities or other identified issues.

The Firm will also conduct due diligence regarding the managers of hedge funds and offshore mutual funds in which client assets are invested. The appropriate portfolio manager has ultimate responsibility for the initial approval and ongoing monitoring of each underlying third-party manager of the Firm's fund of fund strategies and for conducting due diligence in reference to third-party investment managers. Due diligence includes a third-party research process which includes the identification of the universe of managers that offer the appropriate investments and uses qualitative and quantitative analysis.

The Firm generally provides its clients with monthly reports and other reports requested by the clients. Generally, clients may receive monthly, quarterly and annual written reports which provide market and economic commentary and the performance of the account. These reports may be sent to clients in addition to the quarterly account statements and audited financial statements referred to in Item 15 below.

The Firm's procedure with respect to trade errors is that any trade error that results in a "de minimis" loss to a client will not be reimbursed by the Firm. "De minimis" losses are defined as errors resulting in losses of USD \$100.00 or less on a per occurrence basis. The Firm can exercise its discretion to reimburse "de minimis" losses if requested by the client, however, the reimbursement levels imposed by custodians may be higher than the "de minimis" level discussed here and in those situations the custodians threshold takes precedent.

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

The Firm does not consider, in selecting or recommending broker-dealers, whether the Firm or an affiliate receives client referrals from a broker-dealer or third party.

The Firm may enter into agreements to compensate third parties for client referrals, or receive economic benefits from non-clients (other than the primary adviser of a fund or account, when the Firm acts as sub-adviser) for advising client accounts. In addition, the Firm's parent company, Itau Global Asset Management Ltd., has entered into agreements with the Firm's affiliates, in which such affiliate are compensated for referring clients to the Firm. The Firm may receive a benefit from this arrangement in that its parent company may delegate to it the provision of investment advisory services for such accounts.

## **Item 15: Custody**

The Firm may be deemed to have custody of certain accounts for which it provides advisory services, because an affiliate of the Firm provides custodial services or the Firm or an affiliate acts in a capacity that gives it legal ownership or access to client funds or securities. If custody is the result of the Firm's use of an affiliate as qualified custodian, the Firm complies with additional requirements to which is subject under the Custody Rule. The clients or investors in fund clients either receive audited financial statements or quarterly account statements or more frequent statements from the custodian. Clients should ensure that they carefully review the statements that they receive from such custodians.

With respect to funds, the Firm may comply with the Custody Rule through the provision of audited financial statements to investors in the fund.

## **Item 16: Investment Discretion**

The Firm provides investment advice on both a discretionary and nondiscretionary basis, depending on the arrangement with the client. Funds and client accounts may impose investment restrictions and limitations, and the Firm will seek to follow the investment objectives and agreed strategies of a client. When the Firm exercises investment discretion, however, there are typically no express limitations on the adviser's authority to cause the fund or account to purchase or sell securities, aside from investment guidelines and restrictions, and provisions relating to brokerage and other practices, that may be part of a client's investment advisory agreement with the Firm. To assume this authority, the Firm and its client (or, when the Firm acts as sub-adviser, the primary adviser) will enter into an investment management agreement or similar arrangement by which such authority is provided to the Firm.

## **Item 17: Voting Client Securities**

The Firm shall exercise proxy voting rights at general meetings, unless specifically instructed not to vote by a client, on behalf of the accounts and investment funds under its management, and shall be guided therein by loyalty to the interests of the funds and their fund shareholders, and on defending the latter's rights shall take all due care and diligence the circumstances require, as per the Firm's Proxy Voting Policy. In this respect, when voting at meetings and representing funds under its management, the Firm shall strive to vote in favor of resolutions it believes will add

value to the fund's portfolio assets. Similarly, the Firm shall vote against resolutions it believes may erode the value of the fund's portfolio assets. Additionally, when exercising voting rights, the Firm shall take into account aspects relating to business sustainability and be guided by three pillars: proactively advocating environmental preservation, social development and good corporate governance. IUAM has retained Institutional Shareholder Services (ISS) to assist in the proxy voting process. IUAM Compliance manages IUAM's relationship with the proxy service provider. IUAM Compliance ensures that the proxy voting service provider votes all proxies according to IUAM's guidance, and retains all required documentation associated with proxy voting. Clients may direct the Firm to vote proxy via Power of Attorney that is good for a limited period of time. In such cases the client's proxies may not be voted when a refreshed power of attorney is not received in a timely fashion.

Clients of the Firm, as well as investors in Funds managed by the Firm, for which the Firm has accepted Firm proxy voting authority may obtain (1) information about how the Firm voted proxies on their behalf; and (2) a copy of the Firm's proxy voting policy and procedures, by contacting the Firm, as follows:

Attention: Ken Goodall, Chief Compliance Officer, Itau USA Asset Management Inc., 540 Madison Avenue, 24<sup>th</sup> Floor, New York, N.Y. 10022, Tel. 212-710-6706.

Where a client reserves voting authority to itself or to another agent, the client must arrange for proxies to be provided by the custodian or a relevant transfer agent. The Firm does not provide advice or answer questions about particular proxy solicitations in circumstances where it does not have proxy voting authority.

## **Item 18: Financial Information**

Not Applicable.