



Part of  BNY MELLON

# **NEWTON INVESTMENT MANAGEMENT LIMITED**

## **FORM ADV PART 2A**

(as of December 1<sup>st</sup>, 2021)

Newton Investment Management Limited  
BNY Mellon Centre  
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United Kingdom

**This Brochure provides information about the qualifications and business practices of Newton Investment Management Limited (“Newton”, “the Firm”, “we” or “us”). If you have any questions about the contents of this Brochure, please contact us at +44 20 7163 9000.**

**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.**

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

## **ITEM 2. SUMMARY OF MATERIAL CHANGES**

This Brochure dated December 1<sup>st</sup>, 2021, represents an update to the Brochure dated March 31<sup>st</sup>, 2021. The following is a summary of the material changes we have made to our Brochure since the last update.

Item 6 – Conflicts of Interest relating to the Sharing of Internally Generated Research and Other Conflicts of Interest - we have added a description of the types of conflicts that may arise in the sharing of internally generated research between the two Newton entities and other potential conflicts impacting both Newton entities. We have also updated Item 4 to describe the arrangements for the sharing of internally generated research between the two Newton entities.

Item 8 – The Firm's Investment Process and ESG Considerations and Sustainable Strategy Investments – clarifications have been made to these sections with respect to the consideration of environmental, social and governance risks, opportunities and issues in the investment process.

Item 12 – Trade Coordination - we have added a description of the trade coordination arrangements between the two Newton entities where both firms trade in the same security in the same directive above a predetermined liquidity threshold.

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## ITEM 4. ADVISORY BUSINESS

### DISCRETIONARY – INVESTMENT MANAGEMENT/ADVICE

Newton Investment Management Limited (“the Firm”, “we”, “us” or “Newton”) is a limited liability company registered in England and Wales and governed by the law pursuant to the Companies Act 2006. Newton is a 100% owned subsidiary of Newton Management Limited (“NML”). NML is owned by The Bank of New York Mellon Corporation (“BNY Mellon”). The Firm was incorporated on 6 June 1978 with Reed Stenhouse, a Scottish insurance broker. Following Alexander & Alexander’s acquisition of the company in 1986, the company was reorganised and renamed Newton Investment Management. Newton’s management bought out the Alexander & Alexander stake in 1992 and in November 1994 acquired the Capital House group of companies from the Royal Bank of Scotland plc (RBS), with RBS purchasing a 33% interest in the company. Newton became a subsidiary of BNY Mellon on July 23, 1998.

The Firm is authorized and regulated in the United Kingdom by the Financial Conduct Authority (“FCA”) and has both U.S. and non-U.S. clients. On August 27, 1992 Newton Investment Management (North America) Limited (“NIMNA”), an affiliate of the Firm, was registered in the United States with the Securities and Exchange Commission (“SEC”) as an investment adviser. On December 31<sup>st</sup> 2019 NIMNA transferred its entire investment advisory business to Newton and Newton succeeded NIMNA’s registration status as an investment adviser with the SEC. Please note that this registration does not imply a particular level of skill or training on the part of the Firm.

The Firm is part of the group of affiliated companies that individually or collectively provide investment advisory services under the Newton or Newton Investment Management brand (collectively “Newton Group”). The Newton Group currently includes the Firm and Newton Investment Management North America LLC (“NIMNA LLC”). NIMNA LLC was established in 2021 and comprises of equity and multi-asset teams from an affiliate, Mellon Investments Corporation. Unless otherwise stated, the information within this Form ADV represents Newton Investment Management Limited only.

The Firm provides investment advisory services to U.S. and non-U.S. clients. In providing advisory services to non-U.S. clients, we are subject to other non-U.S. regulation and currently rely on certain exemptions from registration in Canada and Australia. We provide discretionary and non-discretionary investment advisory services to institutional investors in the form of separate accounts, pooled investment vehicles that are exempt from registration in the U.S., registered mutual funds and collective investment funds that are offered or maintained by The Bank of New York Mellon and its affiliates, and to other investment advisers through sub advisory agreements.

For separate accounts, we work with clients to create investment guidelines mutually acceptable to the client and the Firm. When creating investment guidelines, clients can impose investment restrictions on certain individual securities or types of securities. Clients who impose investment restrictions might limit our ability to employ a particular strategy resulting in investment performance that differs from the intended strategy and from other accounts that have not imposed such restrictions. The strategies in which we may invest client assets and the fees we may receive for managing such strategies are described below.

We currently provide investment advisory services for the North America market with respect to the following types of strategies:

- Global Bond
- Global Dynamic Bond
- Sustainable Global Dynamic Bond
- Sustainable Global Dynamic Bond Income
- Global Dynamic Bond Income
- Global Equity
- Sustainable Global Equity
- Global Equity Income
- Sustainable Global Equity Income
- Concentrated Global Equity
- Sustainable US Equity
- Global Emerging Market Equity

- Sustainable Global Emerging Market Equity
- International Equity
- Sustainable International Equity
- International Equity Income
- Global Real Return
- Sustainable Global Real Return
- Global Unconstrained
- Sustainable Balanced

Certain of our employees are also officers of one or more Firm affiliates (“dual officers”). If consistent with a client’s investment objective, we anticipate investing client assets in collective investment funds for which The Bank of New York Mellon, an affiliated New York chartered bank (the “Bank”) serves as trustee and account custodian. We manage assets of certain of the collective investment funds as a sub-adviser hired by the Bank. The collective investment funds are further described in Schedule A(s) of the applicable collective investment fund plan documents, which are available upon request. *Please also see Item 10 for more information on our dual officer/employee arrangements (Dual Officers and Employees).* We also manage portfolios as separate accounts and act as sub-adviser to registered investment companies, UCITS funds, private funds, and other commingled vehicles.

The Firm and NIMNA LLC seek to optimise the extent to which each can share between the two firms internally generated investment research and/or research recommendations with a view to enhancing the research and investment opportunities for all portfolios managed by both firms. The sharing of internally generated research allows for the fair allocation of investment ideas across the two firms to avoid one set of clients being advantaged or disadvantaged over another and is undertaken in accordance with applicable laws. Please refer to Item 6 for a description of conflicts of interest relating to the sharing of internally generated research.

## MANAGED ACCOUNT/WRAP FEE PROGRAMS

The Firm serves as a non-discretionary sub-adviser in connection with managed account/wrap-fee programs. A client in a managed account/wrap fee program typically receives professional investment management of account assets through one or more investment advisers participating in the wrap fee program and trade execution, custodial, performance monitoring and reporting services or some combination of these or other services for a single, all-inclusive (or “wrap”) fee charged by the program sponsor based on the value of the client’s account assets. The program sponsor typically assists the client in defining the client’s investment objectives based on information provided by the client, aids in the selection of one or more investment managers to manage the client’s account and periodically contacts the client to ascertain whether or not there have been any changes in the client’s financial circumstances or objectives that warrant a change in the arrangement or the manner in which the clients assets are managed.

Under these managed account/wrap fee program arrangements, BNY Mellon Securities Corporation (“BNYMSC”), our affiliate, enters into an agreement with the program sponsor. BNYMSC then delegates responsibility for investment recommendations to us. BNYMSC, as the primary manager under the program, retains ultimate decision-making responsibility for determining which securities are to be purchased or sold for client accounts and for implementation of such decisions pursuant to the agreement BNYMSC enters into with the program sponsor. In such cases, it is expected that our recommendations will be implemented subject only to differences resulting from individual investment guidelines or restrictions, tax harvesting or other needs of the particular program client. We do not act as a program sponsor nor do we conduct physical trading for any of these programs. We receive a portion of BNYMSC’s allocated wrap fee for the services provided.

When we provide investment recommendations to BNYMSC in connection with a managed account/wrap fee program, we do not negotiate on the client’s behalf brokerage commissions or other costs for the execution of transactions in the client’s account. Rather, it is expected that most transactions will be executed through the program sponsor or the program sponsor’s designated affiliate since execution costs for agency transactions are normally included in the all-inclusive fee charged by the program sponsor. However, program agreements generally provide that other broker-dealers may be selected to execute trades if deemed appropriate to achieve best execution. If a broker-dealer other than the program sponsor or the program sponsor’s designated affiliate is selected to effect a trade for a client’s account, any execution costs charged by that other broker-dealer typically will be charged separately to the client’s account.

Accordingly, clients who enrol in managed account/wrap fee programs should satisfy themselves that the program sponsor is able to provide best execution for transactions.

In evaluating a managed account/wrap fee program, clients should consider a number of factors. A client may be able to obtain some or all of the services available through a particular program on an “unbundled” basis through the program sponsor or through other firms and, depending on the circumstances, the aggregate of any separately paid fees may be lower (or higher) than the single, all-inclusive fee charged in the program. Payment of an asset-based fee may or may not produce accounting, bookkeeping or income tax results that differ from those resulting from the separate payment of (i) securities commissions and other execution costs on a trade-by-trade basis and (ii) advisory fees. Any securities or other assets used to establish a program account may be sold, and the client will be responsible for payment of any taxes due. The Firm recommends that each client consult with his or her tax adviser or accountant regarding the tax treatment of managed account/wrap fee program accounts.

Wrap fee clients normally receive a disclosure Brochure from the program sponsor detailing the wrap fee program prior to their selection of an investment strategy, which includes a description of the services provided by the program sponsor and the applicable fee schedule. The fees and features of each wrap fee program vary and therefore wrap fee program clients should consult the program sponsor's Brochure for the fees and features applicable to their program. We do not act as a program sponsor of any wrap fee program. However, program sponsors may obtain brokerage, clearing and other wrap fee program services from affiliates of ours, including BNYMSC.

## **OWNERSHIP AND ASSETS UNDER MANAGEMENT**

Our ownership structure comprises of: BNY Mellon Corporation, BNY Mellon IHC, LLC, MBC Investments Corporation, BNY Mellon Investment Management (Jersey) Limited, , BNY Mellon Investment Management Europe Holdings Limited, BNY Mellon International Asset Management Group Limited and Newton Management Limited. Newton Management Limited owns 100% of the Firm.

We manage \$62,642,469,203 as at September 30<sup>th</sup>, 2021 on a discretionary basis and \$4,192,424 on a non-discretionary basis.

## **CLASS ACTIONS**

*Class Actions; Litigation:* It is our policy that we do not advise, initiate or take any other action on behalf of clients relating to securities held in the client's account managed by us in any legal proceeding (including, without limitation, class actions, class action settlements and bankruptcies). The Firm does not file proofs of claims relating to securities held in the client's account and does not notify the client or the client's custodian of class action settlements or bankruptcies relating in any way to such account. Typically, custodians submit filings in connection with class action settlements and may also handle bankruptcy filings. Each client should consult with its custodian and other service providers to ensure such coverage.

## ITEM 5. FEES AND COMPENSATION

### SEPARATE ACCOUNT AND SUB-ADVISORY

We provide investment advisory separate account services for a fee. This fee is typically charged as a percentage of your assets under our management. While this fee is typically expressed as an annual percentage, it is calculated quarterly based on closing net assets at each quarter end. We calculate each quarter as 90/360 but can adjust to exact number of days where there are large investments, disinvestments, terminations or new fees in the period. Your investment advisory agreement could also provide that you will incur fees and expenses in addition to our advisory fees such as custody, brokerage and other transaction costs, administrative and other expenses. Examples of other costs and expenses can include mark-ups, mark-downs and other amounts included in the price of a security, odd-lot differentials, transfer taxes, wire transfer fees and electronic fund fees. Please review your investment advisory agreement for further information on how we report on the effect of costs and charges, and how we charge and collect fees. Please see Item 12 of this Brochure for more information on our brokerage practices.

We reserve the right, at our sole discretion, to negotiate or modify (either up or down) the fee schedule(s) below for any client due to a variety of factors, including but not limited to: the level of reporting and administrative operations required to service an account, the investment strategy or style, the number of portfolios or accounts involved, and/or the number and types of services provided to the client. Because our fees are negotiable, the actual fee paid by any client or group of clients may be different from the fees reflected in our basic fee schedule(s) set forth below.

The Firm's standard fees are as follows:

Institutional separate account – Concentrated global equity, global equity income, sustainable global equity income and international equity income strategies

- 0.650% per annum on the first \$100m
- 0.50% per annum on the next \$150m
- 0.40% per annum thereafter

Institutional separate account – Global equity, sustainable global equity, international equity, sustainable international equity and sustainable US equity strategies

- 0.60% per annum on the first \$100m
- 0.50% per annum on the next \$150m
- 0.40% per annum thereafter

Institutional separate account – Global emerging market equity and sustainable global emerging market equity strategies

- 0.75% per annum on the first \$100m
- 0.60% per annum on the next \$150m
- 0.50% per annum thereafter

Institutional separate account – Global bond strategy

- 0.28% per annum on the first \$100m
- 0.20% per annum on the next \$150m
- 0.15% per annum thereafter

Institutional separate account – Global unconstrained and sustainable balanced strategies

- 0.50% per annum on the first \$100m
- 0.40% per annum on the next \$150m
- 0.35% per annum thereafter

Institutional separate account – Global dynamic bond, sustainable global dynamic bond and global dynamic bond income strategies

- 0.35% per annum on the first \$100m
- 0.30% per annum on the next \$150m
- 0.20% per annum thereafter

Institutional separate account – Global real return and sustainable global real return strategies

- Stepped fee rate
- 0.75% below \$65m
- 0.65% (on all assets) when AUM is between \$65m to \$130m
- 0.60% (on all assets) when AUM is between \$130m to \$260m
- 0.55% (on all assets) when AUM is between \$260m to \$390m
- 0.50% (on all assets) when AUM is in excess of \$390m

Please note: Global real return separate accounts are subject to a minimum level of assets under management (“AUM”), details of which are available upon request.

Please note: Typically, 60% of the sustainable balanced strategy's net assets will be allocated to equity and equity-related investments managed by the Firm. Typically, 40% of the strategy's net assets will be allocated to debt and debt-related securities managed by Mellon Investments Corporation in accordance with its own investment process and whose strategy investment characteristics closely approximate those of the Bloomberg U.S. Aggregate ESG Select Natural Index.

We also invest certain accounts in pooled investment vehicles (such as exchange traded funds, fund of funds, unit trusts etc.) that themselves bear advisory fees and operational expenses such as transfer agent, distribution, shareholder servicing, networking, and recordkeeping fees. If invested in these pooled investment vehicles, your account will indirectly bear these fees and expenses and, as a result, you will bear higher expenses than if you invested directly in the securities held by the pooled investment vehicle.

A majority of our fees are based on the valuations provided by clients' custodians or pooled investment vehicles' administrators. Generally, we do not price securities or other assets for purposes of determining fees. However, to the extent permitted by applicable law, including ERISA, from time to time, we or one of our affiliates will be tasked with, or participate in, determining in good faith the asset values of securities held in pooled investment vehicles we advise, or client accounts, if the market price for a security is not readily available, or where we or our affiliate, have reason to believe that the market price is unreliable. A conflict of interest can arise in situations where we are involved in the determination of the valuation of an investment because we would benefit by receiving a fee based on the impact, if any, of the increased value of assets in the account. In such circumstances, we require, to the extent possible, pricing from an independent third party pricing vendor. If vendor pricing is unavailable, we then look to other observable inputs for the valuations including broker-dealers, index providers, and, if applicable, fair value pricing committees of affiliated mutual fund entities. In the event that a vendor price or other observable inputs are unavailable or deemed unreliable, we have established a Pricing and Valuation Oversight Group to make a reasonable determination of a security's fair value. When pricing a security, we attempt, in good faith and in accordance with applicable laws, to determine the fair value of the security or other assets in question based upon all available factors that we deem relevant at the time of determination. In determining the fair value of a security, we seek to determine the price a client might reasonably expect to (1) receive upon the current sale of a security or asset; or (2) pay to transfer the liability associated with the security or asset in an orderly arms' length transaction between market participants on the date on which the security or asset is valued. The price will not be determined based upon what a client might reasonably expect to receive for selling such security or asset at a later time or if it holds the security to maturity. We will provide our pricing information or determinations to a client's custodian, pricing vendors and/or fund accountants upon reasonable request.



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

We have entered into performance-based fee arrangements with institutional clients investing in both separate accounts and pooled investment vehicles. Most of these arrangements provide for an asset based management fee, based on the market value of the account at specified quarter ends, plus a performance fee based on the portfolio's gross or net return in excess of a specified benchmark during a designated period of time. The performance-based bonus element is based typically (but not always) on the portfolio return relative to a market or index return.

Performance-based fees are negotiated with each client and the terms vary. For more detailed information on how performance fees are calculated, clients should refer to their investment advisory agreement.

The Firm has experience in managing portfolios with both performance-based fees and non-performance-based fee arrangements, against the MSCI and FTSE indices, as well as peer-group universes, fixed-weight geographic benchmarks and cash-plus benchmarks.

### PERFORMANCE-BASED FEES

Concentrated global equity, emerging market equity and sustainable emerging market equity strategies performance-based pricing is available upon request.

Typically all other equity and multi-asset relative return strategies would offer the following performance based fees:

#### Base Fee:

- 0.25% per annum on the first \$100m
- 0.20% per annum thereafter
- plus 20% performance bonus

The base fee is payable regardless of performance and is subject to a minimum fee of \$125,000 per annum (\$250,000 per annum for the global equity income strategy). The performance bonus is calculated on individual 12-month performance periods as 20% of the monetary value of the outperformance of the benchmark payable in equal instalments over four years. There is an equal and opposite calculation for underperformance which is then offset against any past or future performance bonuses due.

Global real return strategy and sustainable global real return strategy (offered on assets greater than \$65m)

#### Base Stepped Fee:

- 0.65% (on all assets) when AUM is between \$65m to \$130m
- 0.60% (on all assets) when AUM is between \$130m to \$260m
- 0.55% (on all assets) when AUM is between \$260m to \$390m
- 0.50% (on all assets) when AUM is in excess of \$390m

For the first 2 years, the base fee is charged. From 2 1/4 years onwards, the quarterly fee is keyed off cumulative since inception performance versus LIBOR (or successor) in a linear manner. The quarterly fee will be in the range of 50% to 150% of base fee and is calculated on a pro rata basis as follows: every 1% over LIBOR earns another 12.5% of the base fee and an equal and opposite calculation is used for every 1% under LIBOR.

For example, actual performance of:

- LIBOR +4% per annum equals 100% of stepped base fee rate

- LIBOR +8% per annum equals 150% of stepped base fee rate and
- LIBOR +0% per annum equals 50% of stepped base fee rate

Global dynamic bond strategy / sustainable global dynamic bond strategy

Base Ad Valorem (AV) fee: 0.35% pa

For the first 2 years, the base fee is charged. From 2 1/4 years onwards, the quarterly fee is keyed off cumulative since inception performance versus LIBOR in a linear manner. The quarterly fee will be in the range of 50% to 150% of base fee and is calculated on a pro rata basis as follows: every 1% over LIBOR earns another 25% of the base fee and an equal and opposite calculation is used for every 1% under LIBOR.

For example, actual performance of:

- LIBOR +2% per annum equals 100% of base ad valorem rate
- LIBOR +4% per annum equals 150% of base ad valorem rate and
- LIBOR +0% per annum equals 50% of the base ad valorem rate

Global dynamic bond income strategy / sustainable global dynamic bond income strategy

Base Ad Valorem (AV) fee: 0.35% pa

For the first 2 years, the base fee is charged. From 2 1/4 years onwards, the quarterly fee is keyed off cumulative since inception performance versus LIBOR in a linear manner. The quarterly fee will be in the range of 50% to 150% of base fee and is calculated on a pro rata basis as follows: every 1% over LIBOR earns another 18.75% of the base fee and an equal and opposite calculation is used for every 1% under LIBOR.

For example, actual performance of:

- LIBOR +3% per annum equals 100% of base ad valorem rate
- LIBOR +6% per annum equals 150% of base ad valorem rate and
- LIBOR +0% per annum equals 50% of the base ad valorem rate

Global bond strategy (assets greater than \$50m)

Base Fee:

- 0.10% per annum on all assets
- plus 20% performance bonus

The base fee is payable regardless of performance and is subject to a minimum fee of \$50,000 per annum. The performance bonus is calculated on individual 12-month performance periods as 20% of the monetary value of the outperformance of the benchmark payable in equal instalments over four years. There is an equal and opposite calculation for underperformance which is then offset against any past or future performance bonuses due.

## **SIDE-BY-SIDE MANAGEMENT**

“Side-by-side management” refers to the Firm’s simultaneous management of multiple types of client accounts/investment products. For example, we manage separate accounts and pooled investment vehicles for the Firm’s clients at the same time. These clients have a variety of investment objectives, policies, strategies, limitations and restrictions. Our affiliates likewise manage a variety of separate accounts, managed accounts, and pooled investment vehicles.

Side-by-side management gives rise to a variety of potential and actual conflicts of interest for us, our employees, supervised persons and our clients. Below we discuss the conflicts that we and our employees and supervised persons face when engaging in side-by-side management and how we deal with them.

In order to address these conflicts of interest, we manage our accounts consistent with applicable law, and we follow procedures that are reasonably designed to treat our clients fairly and to prevent any client or group of clients from being systematically favored or disadvantaged. For example, we have Trade Allocation Policies and Procedures which are designed and implemented to ensure that all clients are treated fairly and equally, and to prevent these conflicts from influencing the allocation of investment opportunities among clients. *Please see Item 12 for an explanation of our Trade Allocation Policies and Procedures.*

## **CONFLICTS OF INTEREST RELATING TO SIDE-BY-SIDE MANAGEMENT OF DISCRETIONARY AND NON-DISCRETIONARY ACCOUNTS**

In limited circumstances, we provide a third party with non-discretionary advisory services referencing the same model portfolio used to manage certain of our discretionary clients' accounts. In those cases where we are implementing the model results for only a portion of the assets affected (for example, the portion of the assets over which we have discretionary authority) and therefore, we cannot apply our internal trade allocation procedures to all of the assets to be affected, we will, where appropriate, (i) use reasonable efforts to agree on procedures with such non-discretionary clients designed to prevent one group of clients from receiving preferential trading treatment over another group, or (ii) determine that, due to the nature of the assets to be traded or the market on which they are traded, no client would likely be adversely affected if such procedures are not established.

## **CONFLICTS OF INTEREST RELATING TO PERFORMANCE BASED FEES WHEN ENGAGING IN SIDE-BY-SIDE MANAGEMENT**

We, and our affiliates, manage accounts that are charged a performance-based fee and other accounts that are charged a different type of fee, such as a flat asset-based fee. This presents a conflict of interest because we have a financial incentive to favor accounts with performance-based fees because we (and our employees and supervised persons) have an opportunity to earn greater fees on such accounts as compared to client accounts without performance-based fees. Such fee arrangements could also create an incentive to favour higher fee-paying accounts over other accounts in the allocation of trades or investment opportunities. We mitigate these conflicts by performing portfolio reviews and by ensuring that trades are allocated on a fair and equitable basis across all accounts in a strategy, subject to legal, accounting, or other factors, such as cash availability for the investment. In addition, the investment performance on specific accounts is not the sole factor in determining the portfolio manager's compensation, thereby reducing the incentive to favour performance fee-paying accounts in their allocations and investment decisions.

## **CONFLICTS OF INTEREST RELATING TO ACCOUNTS WITH DIFFERENT STRATEGIES**

We are a long only manager and, generally, do not utilize short selling in order to realize profits. The distribution of investment ideas from research analysts is separate from the duties of portfolio management. Controls are in place for the dissemination of new research recommendations to ensure fair opportunity to participate in investment ideas. We have in place order allocation and aggregation policies, which are implemented by the dealing team which has duties that are segregated from the investment management team. As a result, we do not believe any material conflicts arise in managing accounts with different strategies.

## **CONFLICTS OF INTEREST RELATING TO THE MANAGEMENT OF MULTIPLE CLIENT ACCOUNTS**

We, and our affiliates, perform investment advisory services for various clients. We give advice and take action in the performance of our duties with respect to any of our clients which can differ from the advice given, or the timing or nature of action taken, with respect to other clients. We have no obligation to purchase or sell for a client any security or other property which we purchase or sell for the account of any other client, if it is undesirable or impractical to take such action.

## **CONFLICTS OF INTEREST RELATING TO INVESTMENT IN AFFILIATED ACCOUNTS**

To the extent permissible under applicable law, from time to time we invest some or all of the temporary investments of client accounts in money market mutual funds advised or managed by affiliates. In addition, and where we are permitted under the Investment Management Agreement, we can invest client accounts in other affiliated pooled vehicles. There

is a conflict of interest to allocate investments to these types of affiliated accounts in order to generate additional fees for us or our affiliates. To ensure that client assets are not allocated on the basis of fee generation, we review all available investment options to ensure that clients receive best execution and that investments are in the best interests of all clients.

## **CONFLICTS OF INTEREST RELATING TO PROPRIETARY ACCOUNTS**

We, our affiliates, and our existing and future employees will from time to time invest in products managed by Newton ("proprietary accounts"). Investment by Newton, our affiliates, or our employees in proprietary accounts creates conflicts of interest because Newton could have an incentive to favor these proprietary accounts by, for example, directing our best investment ideas to these accounts or allocating, aggregating or sequencing trades in favor of such accounts, to the disadvantage of other accounts or to dedicate more time and attention to give them better execution and brokerage commissions than our other client accounts. To mitigate this risk, these accounts are traded in line with our other client accounts. For further information on employees personal account dealing and controls in place, please see *Item 11. Code of ethics, participation or interest in client transactions, personal trading*.

## **CONFLICTS OF INTEREST RELATING TO THE SHARING OF INTERNALLY GENERATED RESEARCH**

As described in Item 4, the Firm and NIMNA LLC share internally generated investment research and/or research recommendations with a view to enhancing the research and investment opportunities for all portfolios managed by both Firms. The sharing and subsequent use of internally generated research and/or research recommendations to inform portfolio management decisions may result in trade implementation by one Firm (i.e. Newton) ahead of the other Firm (NIMNA LLC) which could result in one or more clients receiving less favourable trading results. Equally, the sharing of internally generated research may result in both Firms executing client orders at the same time with the result that one set of clients may be disadvantaged compared to another (for example where orders relate to less liquid securities). In order to mitigate these conflicts, Newton has adopted and implemented policies and procedures to set parameters around the sharing of internally generated research that is intended to ensure that all clients of both Newton and NIMNA LLC have equal access to investment opportunities. Both Firms have adopted a trade coordination approach in order to seek to manage impact on client portfolios from portfolio management decisions, to optimise market participation of the trades to avoid price impact and ensure fair allocation between both sets of client executions. For a description of the trade coordination approach process please refer to Item 12.

Both Firms will operate a global restricted list for the purposes of restricting trading in securities across both Firms in order to manage material non-public information and/or confidential information that may result from the sharing of internally generated research. The operation of a global restricted list may result in less investment flexibility for Newton than if it did not receive internally generated research from NIMNA LLC and operated its own individual restricted list.

## **CONFLICTS OF INTEREST POSED BY THE NEWTON INCENTIVE COMPENSATION PLAN**

Newton offers highly competitive compensation packages to its key investment professionals. These employees are rewarded using a mix of base salary, annual cash bonus and long-term incentive plan ("LTIP"); these elements combine to provide competitive total compensation packages.

The variable compensation pool available for distribution to staff is calculated as a percentage of Newton's profits. This is then split between annual bonus awards and LTIP awards. Investment performance is, therefore, a key determinant of variable compensation as well as the long-term incentives to our investment professionals. This performance-driven culture permeates through every decision we make, across corporate decision making, and in our investment selections. We believe that our interests are well aligned with those of our clients.

## **OTHER CONFLICTS OF INTEREST**

As noted previously, we and our affiliates manage numerous accounts with a variety of interests. This necessarily creates conflicts of interest for us. For example, we or an affiliate can cause multiple accounts to invest in the same investment. Such accounts may have conflicting interests and objectives in connection with such investment, including differing views on the operations or activities of the portfolio company, the targeted returns for the transaction and the time frame for and method of exiting the investment. Conflicts also arise in cases where multiple Newton and/or affiliate client accounts are invested in different parts of an issuer's capital structure. For example, one of our client accounts

could acquire debt obligations of a company while another account acquires an equity investment. In negotiating the terms and conditions of any such investments, we may find that the interests of the debt-holding client accounts and the equity holding client accounts conflict. If that issuer encounters financial problems, decisions over the terms of the workout could raise conflicts of interest (including, for example, conflicts over proposed waivers and amendments to debt covenants). For example, debt holding accounts may be better served by a liquidation of an issuer in which it could be paid in full, while equity holding accounts might prefer a reorganization of the issuer that would have the potential to retain value for the equity holders. As another example, holders of an issuer's senior securities may be able to act to direct cash flows away from junior security holders, and both the junior and senior security holders may be Firm client accounts. Any of the foregoing conflicts of interest will be discussed and resolved on a case-by-case basis. Any such discussions will factor in the interests of the relevant parties and applicable laws.

We, as a Firm, manage our accounts consistent with applicable law, and follow policies and procedures that are reasonably designed to treat our clients fairly and to prevent any client or group of clients from being systematically favored or disadvantaged. For example, we have order aggregation and trade allocation policies and procedures which are designed and implemented to ensure that all clients are treated fairly and equally, and to prevent these conflicts from influencing the allocation of investment opportunities among clients. *Please see Item 12 for a summary of our key order aggregation and trade allocation related policies and procedures.* Conflicts of interest and potential conflicts are formally logged by the Firm and monitored periodically. Further details of actual or potential conflicts of interest identified by Newton and how these are managed are included in the Newton's Global Conflicts of Interest policy, which is available on Newton's website.

As described above, it is the intention of Newton and its affiliate NIMNA LLC to share with each other internally generated research and/or research recommendations. The sharing and subsequent use of such research and/or research recommendations will inform portfolio management decisions. Clients of both the Firm and NIMNA LLC may have conflicting interests and objectives in connection with portfolio management decisions. For example, the Firm may make a decision to sell or liquidate a client position in which NIMNA LLC's clients are invested which may then result in adverse consequences for NIMNA LLC's client portfolios and vice versa. Conflicts may also arise in cases where the Firm's clients are invested in different parts of an issuer's capital structure compared to NIMNA LLC's clients, for example, where an issuer has financial difficulty and clients have conflicting interests in any restructuring outcomes.

The Firm or NIMNA LLC may use the personnel or services of each other in a variety of ways in order to make available either Firm's global investment capabilities. This arrangement may take the form of a delegation or a direct appointment and may give rise to a number of perceived conflicts of interest. For example, the allocation of investment opportunities across both Firms; the method and timing of the implementation and execution of client orders; clients are directed to a client servicing model that suits the Firm or its affiliate rather than a client; and/or clients are directed to strategies of a respective Firm primarily for fee generation purposes without putting the interests of clients first. These risks are managed in a number of ways including adoption of policies and procedures to ensure equal access to investment opportunities and trade coordination as described in more detail above and in Item 12. Additionally, in certain cases, the Firm seeks to use the personnel or services of its affiliates where the arrangements are in a client's best interests.

## ITEM 7. TYPES OF CLIENTS

### TYPES OF CLIENTS

We provide investment advisory services to a wide variety of institutional clients, including U.S. registered investment companies, collective investment funds offered and maintained by the Bank or its affiliates, corporate pension and profit sharing plans, Taft-Hartley plans, Voluntary Employee Beneficiary Associations ("VEBAs"), public plans, trusts, charitable institutions, foundations, endowments, insurance groups, municipalities, and sovereign funds as well as other U.S. and international institutions and other non-US regulated funds.

### ACCOUNT REQUIREMENTS

We generally require clients to execute a written investment management agreement with us, granting us authority to manage their assets. Separate accounts are subject to minimum account sizes which vary depending on the strategy, but also on the complexity of the mandate, therefore each opportunity is assessed on a case-by-case basis; they may also be subject to minimum annual fees; *see Item 5 for more information*. While these are the minimum stated account sizes, we may consider accepting smaller accounts depending on the nature of the client and prospective incremental funding rates, or when a relationship currently exists with the client. The Firm reserves the right to waive the minimum account size and negotiate fee rates at its sole discretion.

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

### **THE FIRM'S INVESTMENT PROCESS**

The current Newton investment process is characterized by an active bottom-up approach, and has been in place since Newton's inception in 1978. Over the years, we have adapted it to suit different market environments, but the core of it has remained unchanged.

The starting point of Newton's investment process, for both equities and bonds, is the identification of investment themes. Through construction of a thematic framework which focuses our global research, we gain valuable insight into the powerful forces of change affecting investment opportunities around the world. Our themes help to identify the beneficiaries of such change while also highlighting areas of risk. Themes enable us to take a step back and assess the 'bigger picture'. A key advantage of this approach is that it directs analysts and portfolio managers towards profitable investment opportunities, highlighting attractively priced securities with the right characteristics. Our global thematic approach also helps us to identify potential areas of risk. Critically, we assess the relative merits of asset classes and securities within those asset classes, regardless of their domicile, as reflected by the specialization of our analysts on a sector basis, not by geography. The risk management advantages provided by our global and holistic investment process are powerful.

Our global research framework facilitates natural debate and provides a powerful combination of perspectives from our global industry analysts; credit analysts; thematic, quant & strategy analysts; responsible investment analysts; our specialist analysts, and our equity, fixed income and multi-asset portfolio managers challenging one another.

Fundamental and rigorous research by our global industry analysts and portfolio managers can be focused and prioritized making for what we believe to be a robust investment approach. It can help to maximise the scrutiny of interesting ideas and the time lag between idea initiation and implementation in client portfolios. We also avoid having to justify the expense of regionally located research teams, avoid the inclination to make local recommendations regardless of conviction and have greater control over prioritising the strongest global research ideas.

Newton has been a signatory to the UN Principles for Responsible Investment (PRI) since 2007. We incorporate consideration of material environmental, social and governance ("ESG") issues into our investment process (where appropriate and relevant), as we believe that the inclusion of this information in the due diligence process can improve the risk adjusted return over the proposed holding period<sup>1</sup>.

Further information about the investment processes that are in place for our sustainable strategies, as well as a description of the way we consider ESG across our non-sustainable strategies, please refer to the section of this document with the heading "ESG considerations and sustainable strategy investments".

### **INVESTMENT PROCESS FOR EQUITIES**

One of Newton's key strengths is its ability, through its global research team, to conduct proprietary research across global sectors, rather than just within the narrow confines of geographic borders.

We believe that one of the main differentiators (and one of the main strengths) of our investment team is having career analysts. Our analysts are not trainee portfolio managers, as research at Newton is a separate career path from portfolio management. The total focus of an analyst is to become an expert in their sector and use this knowledge to pick the best investment ideas from around the world. This is one of the unique selling points of Newton's investment approach. Our analysts come from a wide range of backgrounds: some are experienced in the industry for which they are responsible, some have prior experience as an analyst, and some are experienced within the management consulting or accounting industries.

<sup>1</sup> As part of our investment research process for our core/non-sustainable strategies, we consider environmental, social, and governance (ESG) risks, opportunities and issues. Newton, however, does not currently view certain types of investments as presenting ESG risks, opportunities and/or issues, and believes it is not practicable to evaluate such risks, opportunities and/or issues for certain other investment. In addition, Newton will make investment decisions for these strategies that are not based solely on ESG considerations. In some cases therefore, Newton may conclude that other attributes of an investment outweigh ESG considerations when making investment decisions for those strategies.



The analysts use Newton's themes as a starting point, assessing how they affect their respective sectors with a long-term horizon. The analysts then identify the key long-term trends impacting their respective industries. When they have identified these few key trends, they are able to identify the companies which are best aligned with the positive industry trends and aim to avoid the negative ones and, therefore, identify the companies with "strong fundamentals". It is at this stage that detailed stock-level financial analysis is undertaken on these identified "strong fundamental" stocks.

Our analysts use a variety of valuation techniques, including earnings, asset value, cash flow and cost of capital measurements. The measurements used reflect their appropriateness to a particular industry or company. We do not give particular weight to any individual accounting ratio in our analysis. We believe that dogmatic adherence to any particular ratio would inevitably result in some information being missed. Overall, we believe that it is better to understand the company accounts as a whole in order to appreciate fully the risks it faces and the value it represents, as well as its ability to generate cash.

If the valuation of a stock is found to be attractive as well as having "strong fundamentals", it is an "ideal candidate" for the research recommended lists (RRLs), which is a focused list of best recommendations prepared by the global industry analysts for the portfolio managers. The RRLs are the principal "menu" used by the portfolio managers while constructing portfolios. We believe research should be flexible and opportunity focused, with an emphasis on insight and interpretation, rather than waterfront coverage of sectors.

The research output from our global analysts is supplemented and prioritized by our portfolio managers. The interaction between professionals in these different and complementary roles is critical to achieving the optimum output from our research. Both analysts and portfolio managers are involved in the research process with a high degree of engagement between them. Analysts are purely focused on research and lead the coverage of their specific sector on a global basis. However, especially at a regional level, portfolio managers can be involved in a supporting, and sometimes equal, role to assist with coverage of smaller companies and/or regions. Portfolio managers pursue the same approach as analysts when approaching stock research.

**Portfolio construction:** Our portfolio construction process is designed to enable our portfolios to deliver consistent long-term performance.

The portfolio manager draws upon the output of our thematic work and our global research team and conducts their own research to ensure that the portfolio is composed of securities in which we have strong conviction. Portfolios are constructed holistically, with portfolio managers, who have ultimate responsibility for every position within the portfolio, carefully considering risk, making qualitative judgments on the impact of new positions, exiting from current positions or existing market conditions would have on the overall portfolio.

Model/lead portfolios for each key type of mandate form the basis of the link between idea generation and portfolio construction. To construct models, each team selects stocks from the ideas generated across Newton. Model portfolios are used as a point of reference. Live portfolios are constructed with reference to the model/lead portfolio; the overall balance and risk of the portfolio is taken into consideration, with deviations reflecting the differing mandate objectives and risk parameters.

**Positioning:** In our equity portfolios, the most important aspect of portfolio construction is stock selection as bottom-up decisions drive, to a large extent, a portfolio's allocation to countries, sectors, and currencies. When purchasing a stock, the potential upside will have been evaluated by the global research and/or the portfolio management team. The valuation and risk assessment is made with a multi-year investment horizon. Stocks are monitored on an ongoing basis, with the analysts and portfolio managers continually assessing the implications of movements in the markets, the news or any developments affecting the holdings. The information gathered from these reviews could result in the decision to take profits or to increase, reduce or sell out of a position entirely. As active managers, we seek to steer our clients investments away from risks which we believe threaten the fulfilment of their objectives.

**Investment risk:** Management of investment risk is conducted within the investment process rather than solely through quantitative controls. At the forefront of risk awareness and risk management are the portfolio managers, who actively manage risk and return on a daily basis and who participate in the processes of idea generation, sharing, evaluation and implementation in portfolios, and interaction is key to this process.

In order to avoid unintended risks the following key groups are involved in monitoring portfolios to ensure that any risk taken is deliberate, intentional and has a commensurate expected return:

- The investment risk team (IRT): is part of the investment risk oversight process for Newton's portfolios and provides information to the investment risk oversight group and senior management on portfolio construction and risk profiles. The IRT produces comparative and independent analyses of portfolios.



- The investment risk oversight group (IROG): is an oversight group that meets monthly with representatives from the IRT and the investment team to review a detailed pack of information on the risk profiles of portfolios. The IROG is responsible for identifying the most important risk-related issues and highlighting them to portfolio managers and senior management. The IROG reports to Newton's Investment Oversight Committee.
- The performance measurement team: it is involved in analyzing performance and attribution; this analysis is fed back to the IRT, providing useful information on sources of return and risk.

Additionally, our investment themes focus as much on identifying risks as well as capturing opportunities associated with all types of investments. This primary level of risk assessment is continued into the detail of our investment approach: our research analysts and portfolio managers conduct proprietary research on underlying securities to become fully aware of all investment risks. Our portfolios are constructed as holistic seamless portfolios, with the risk and return qualities of the combination of holdings explicitly understood. This last aspect is a vital differentiating characteristic, and sits in stark contrast to a fund-of-funds approach, where such clear risk analysis is neither so identifiable nor so intuitive.

## INVESTMENT PROCESS FOR FIXED INCOME

The investment process for fixed income starts with the strategic thematic framework that characterizes Newton's investment philosophy. Global themes representing key forces of observable change provide a long-term orientation to our fixed income strategies and a stimulus for debate and research, thereby also steering both our 'top-down' view of the world's bond and currency markets and our 'bottom-up' investment selection process. Themes highlight areas of opportunity as well of those of risk in the global investment landscape.

Our themes are supported by a variety of proprietary models that help us determine value and changing economic trends. Themes help us understand the level of economic growth but also whether there will be an increase in inflation and the demand for and supply of bonds. Themes point us in the direction of markets and sectors that should benefit from global trends and individual companies that are better placed to take advantage of the opportunities and threats that our themes help us identify. We can then use models to see how much of this is already priced into markets. We use our models to inform our thinking and not as an automatic buy or sell signal. When there are big discrepancies between models and the underlying asset we can usually point to a specific theme that is the cause of the distortion.

The top down part of the process is responsible for defining which bond asset class we want to buy, how much interest rate risk, whether we want long or short dated assets and our overall currency exposure.

Having a global approach means that this evaluation enables us to spot the differences between countries. For example, we could conclude a chance of rising inflation and higher central bank rates in one country and not another. We can therefore invest in one government bond market where we expect low inflation and low interest rates to prevail, and perhaps take a short position in the government bonds of another country in which we expect higher inflation and interest rates, by selling bond futures or buying put options on bond futures.

Stronger economic growth is usually supportive of credit and risk assets such as high yield and emerging markets. We aim to exploit the phases of the economic cycle by shifting towards these assets during periods of rising economic growth and back towards government bonds when recessions are likely. Alternatively, we can have a balance between the markets when the direction for economic growth is unclear.

Finally, the level of economic growth and the level of interest rates can determine the value of currencies. Using our top down process we can define a currency overlay that suits our understanding of the direction and make-up of the global economy. The currency exposure of the strategy can also be used to dampen the overall level of risk we are taking especially if we are entering a period of uncertainty.

As well as providing an understanding of value at the top level, a combination of themes and models helps us in our 'bottom-up' bond and sector selection. Themes point us in the direction of markets and sectors that should benefit from global trends and individual companies that are better placed to take advantage of the opportunities and threats that our themes help us identify.

Using regression analysis, we filter the global universe to help identify value. These two initial stages result in a more manageable universe of bonds. The credit analysts in consultation with the equity research and responsible investment team carry out detailed company and bond selection. This incorporates fundamental analysis of the issuer and the issue as well as analysis of proprietary forecasting models, stress tests and peer-group comparisons to arrive at corporate bond recommendations. We aim to find sustainable companies where the interests of bondholders and shareholders are aligned, or at least likely to become more aligned.

A thematic approach that can be used to identify changing economic trends helps to anticipate when to change the fixed income allocation and to adjust the risk levels. We utilize a bespoke global bond management portfolio analytics tool which allows us to simulate the effect of possible buys/sells and cash flow movements to be calculated using 'what if' scenarios. By using the 'what if' tool, it calculates changes to the portfolio, including the possible effect on risk statistics.

**Investment risk:** As with all our portfolios, the management of investment risk is conducted within the investment process rather than solely through quantitative controls.

At the forefront of risk awareness and risk management are the portfolio managers who actively manage risk and return on a daily basis and who ensure we have a repeatable process that enables us to anticipate the changing economic cycle. All investments are chosen by the team, with ultimate responsibility sitting with the portfolio management team.

Rather than using backward-looking VaR analysis we prefer to stress test fixed income strategies based on the possibility of events in the future and use forward-looking scenario analysis and monitor daily the positions in the portfolio. This is done both on the fixed income desk and also by Newton's IROG. The output may lead to a re-evaluation of positions if we are not comfortable with the current allocation. Monitoring of the strategy using live pricing can also highlight where the current allocation is working and where we may be vulnerable to a change in direction. This is one of the most valuable sources of information on the level of risk being taken and whether the mix of assets is correct for the current market environment.

Portfolios are then subject to the same monitoring as with equity portfolios including work done by IRT, the IROG and Performance Measurement Team as described above. In addition, there is the fixed interest risk oversight group (FIROG) focuses specifically on fixed interest portfolios.

## ESG CONSIDERATIONS AND SUSTAINABLE STRATEGY INVESTMENTS

The consideration of material environmental, social and governance (ESG) factors into our strategies is not done to seek collateral environmental or societal benefits for their own sake. We seek to consider ESG risks and opportunities (where appropriate and relevant) on the basis that the understanding of the materiality of these issues will likely improve risk adjusted returns over the proposed investment horizon.

We do not impose ESG-based exclusions in our non-sustainable strategies, and portfolio managers can choose to buy a security with ESG issues if they believe the portfolio will be compensated for taking this risk from a financial perspective.

Whether and how ESG considerations are assessed or integrated into Newton's non-sustainable strategies depends on the asset classes and/or the particular strategy involved. Newton will make investment decisions for these strategies that are not based solely on ESG considerations. In some cases therefore, Newton may conclude that other attributes of an investment outweigh ESG considerations when making investment decisions for those strategies.

Our sustainable strategies build on the overall assessment and integration of material ESG factors by seeking to further identify sustainable business and economic models providing solutions to pressing societal challenges, balancing the interests of stakeholders through their operations, or transitioning away from harmful activities. Securities considered suitable for sustainable strategies are subject to Newton's sustainable investment framework. This framework seeks to identify and avoid issuers that participate in specific areas of activity that Newton deems to be harmful from an environmental or social perspective, or do not follow good governance practices, whilst seeking to identify and invest in issuers that are proactively seeking to manage environmental and/or social factors to generate sustainable returns. There are certain types of investments (e.g. cash/cash-like instruments, certain derivatives or index-based instruments) that Newton does not believe present ESG risks, opportunities and/or issues, and therefore even for our sustainable strategies believe it is not practicable to evaluate such risks, opportunities and/or issues for certain other investments.

## RISKS INVOLVED WITH STRATEGIES OFFERED

Each investment strategy we offer invests in a variety of securities and employs a number of investment techniques that involve certain risks. Investments involve risk of loss that clients should be prepared to bear. We do not guarantee or represent that our investment program will be successful. Our past results are not necessarily indicative of our future performance and our investment results may vary over time. We cannot assure investors that our investments will be profitable, and in fact, investors could incur substantial losses. The investor's investments with us are not a bank deposit and are not insured or guaranteed by the FDIC or any other government agency.

The table overleaf indicates the specific material risks to which a strategy could be exposed. An "X" in the table indicates that the strategy involves the corresponding risk. An empty box indicates that the strategy does not involve the corresponding risk in a material way. However, an empty box does not guarantee that the strategy will not be subject to the corresponding risk.

The risks set forth below represent a general summary of the material risks involved in the investment strategies we offer. If applicable, please refer to the "Risk Factors" section in the offering documents for a more detailed discussion of the risks involved in an investment in a fund.

	Global Unconstrained	Sustainable Global Real Return Strategy	Global Real Return Strategy	International Equity Income Strategy	Sustainable Balanced Strategy	Sustainable International Equity Strategy	International Equity Strategy	Sustainable Global Emerging Market Equity Strategy	Global Emerging Market Equity Strategy	Sustainable US Equity Strategy	Concentrated Global Equity Strategy	Sustainable Global Equity Income Strategy	Global Equity Income Strategy	Sustainable Global Equity Strategy	Global Equity Strategy	Global Dynamic Bond Income Strategy	Sustainable Global Dynamic Bond Income	Sustainable Global Dynamic Bond Strategy	Global Dynamic Bond Strategy	Global Bond Strategy
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Global Investment Portfolio Risk Matrix																				
Investment Strategy		Asset Allocation			Market Exposure			Sector Focus			Geographic Distribution			Risk Factors			Performance Metrics			
Strategy Type	Asset Class	Equity %	Bond %	Real Estate %	Global %	Developed %	Emerging %	Healthcare %	Technology %	Financial %	Consumer %	Energy %	Commodities %	North America %	Europe %	Asia %	Latin America %	Other %	Volatility	Sharpe Ratio
Global Unconstrained	Sustainable Global Real Return Strategy	Global Real Return Strategy	International Equity Income Strategy	Sustainable Balanced Strategy	Sustainable International Equity Strategy	International Equity Strategy	Sustainable Global Emerging Market Equity Strategy	Global Emerging Market Equity Strategy	Sustainable US Equity Strategy	Concentrated Global Equity Strategy	Sustainable Global Equity Income Strategy	Global Equity Income Strategy	Sustainable Global Equity Strategy	Global Equity Strategy	Global Dynamic Bond Income Strategy	Sustainable Global Dynamic Bond Income Strategy	Sustainable Global Dynamic Bond Strategy	Global Dynamic Bond Strategy	Global Bond Strategy	Global Bond Strategy
X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	General Risks
X	X	X													X	X	X	X	X	Government Securities Risk
															X	X	X	X	X	Growth And Value Stock Risk
															X					Indexing Strategy Risk
X	X	X	X	X											X		X	X	X	Interest Rate Risk
X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	Investment Strategy Risk
X	X	X	X	X											X		X	X	X	Issuer Risk
					X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	Large Cap Stock Risk
X	X	X	X	X												X	X	X	X	LIBOR Risk
X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	Liquidity Risk
X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	Market Risk
X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	Small And Mid-Size Company Risk
					X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	Stock Investing Risk
					X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	Stock Selection Risk
		X	X	X		X		X	X		X		X		X		X			Sustainable Strategy Investment Risk

- **Allocation risk.** The asset classes in which a strategy seeks investment exposure can perform differently from each other at any given time (as well as over the long term), so a strategy will be affected by its allocation among the various asset classes. If the strategy favors exposure to an asset class during a period when that class underperforms, performance may be hurt.
- **Banking industry risk.** The risks generally associated with concentrating investments in the banking industry, such as interest rate risk, credit risk, and regulatory developments relating to the banking industry.
- **Clearance and settlement risk.** Many emerging market countries have different clearance and settlement procedures from developed countries. There may be no central clearing mechanism of settling trades and no central depository or custodian for the safe keeping of securities. The registration, record-keeping and transfer of instruments may be carried out manually, which may cause delays in the recording of ownership. Increased settlement risk may increase counterparty and other risk. Certain markets have experienced periods when settlement dates are extended, and during the interim, the market value of an instrument may change. Moreover, certain markets have experienced periods when settlements did not keep pace with the volume of transactions resulting in settlement difficulties. Because of the lack of standardized settlement procedures, settlement risk in emerging markets is more prominent than in more mature markets.
- **Counterparty risk.** The risk that counterparty in a repurchase agreement or other derivative investment could fail to honor the terms of its agreement.
- **Country, industry and market sector risk.** The strategy may be over weighted or underweighted, relative to the benchmark index, in companies in certain countries, industries or market sectors, which may cause the strategy's performance to be more or less sensitive to positive or negative developments affecting these countries, industries or sectors. In addition, the strategy may, from time to time, invest a significant portion (more than 25%) of its total assets in securities of companies located in particular countries, such as the United Kingdom and Japan, depending on such country's representation within the benchmark index.
- **Credit risk.** Failure of an issuer to make timely interest or principal payments, or a decline or perception of a decline in the credit quality of a bond, can cause a bond's price to fall.
- **Concentration risk.** A strategy may have a concentrated portfolio due to investment in a limited number of securities, giving rise to concentration risk. A fall in the value of a single security may have a greater impact on the strategy's value than if the strategy had a more diversified portfolio.
- **Cybersecurity Risk.** In addition to the risks described above that primarily relate to the value of investments, there are various operational, systems, information security and related risks involved in investing, including but not limited to "cybersecurity" risk. Cybersecurity attacks include electronic and non-electronic attacks that include but are not limited to gaining unauthorized access to digital systems to obtain client and financial information, compromising the integrity of systems and client data (e.g., misappropriation of assets or sensitive information), or causing operational disruption through taking systems off-line (e.g., denial of service attacks). As the use of technology has become more prevalent, we and the client accounts we manage have become potentially more susceptible to operational risks through cybersecurity attacks. These attacks in turn could cause us and client accounts (including funds) we manage to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss. Similar adverse consequences could result from cybersecurity incidents affecting issuers of securities in which we invest, counterparties with which we engage in transactions, third-party service providers (e.g., a client account's custodian), governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers and other financial institutions and other parties. While cybersecurity risk management systems and business continuity plans have been developed and are designed to reduce the risks associated with these attacks, there are inherent limitations in any cybersecurity risk management system or business continuity plan, including the possibility that certain risks have not been identified. Accordingly, there is no guarantee that such efforts will succeed, especially since we do not directly control the cybersecurity systems of issuers or third-party service providers.
- **Derivatives risk.** A small investment in derivatives could have a potentially large impact on the strategy's performance. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value, and there is the risk that changes in the value of a derivative held by the strategy will not correlate with the underlying instruments or the strategy's other investments. Derivative instruments also involve the risk that a loss may be sustained as a result of the failure of the counterparty to the derivative instruments to make required payments or otherwise comply with the derivative instruments' terms. Certain types of derivatives involve greater risks than the underlying obligations because, in addition to general market risks, they are subject to illiquidity risk, counterparty risk and credit risk. Additionally, some derivatives involve economic leverage, which could increase the volatility of these investments as they may fluctuate in value more than the underlying instrument.

- Emerging market risk – equities. The securities of issuers located in emerging markets tend to be more volatile and less liquid than securities of issuers located in the markets of more mature economies, and generally have less diverse and less mature economic structures and less stable political systems than those of developed countries. These securities are often subject to rapid and large changes in price. The imposition of sanctions, confiscations, trade restrictions (including tariffs) and other government restrictions by the United States and other governments, or problems in share registration, settlement or custody, may also result in losses.
- Emerging market risk – fixed income. The securities of issuers located in emerging markets tend to be more volatile and less liquid than securities of issuers located in the markets of more mature economies, and generally have less diverse and less mature economic structures and less stable political systems than those of developed countries. In addition, such securities often are considered to be below investment grade credit quality and predominantly speculative. The imposition of sanctions, confiscations, trade restrictions (including tariffs) and other government restrictions by the United States and other governments, or problems in share registration, settlement or custody, may also result in losses.
- Foreign currency risk. Investments in foreign currencies are subject to the risk that those currencies will decline in value relative to the U.S. dollar, or in the case of hedged positions, that the U.S. dollar will decline relative to the currency being hedged. Currency exchange rates may fluctuate significantly over short periods of time. A decline in the value of foreign currencies relative to the U.S. dollar will reduce the value of securities held by the strategy and denominated in those currencies. Foreign currencies are also subject to risks caused by inflation, interest rates, budget deficits and low savings rates, political factors and government controls.
- Foreign government obligation risk. Investing in the sovereign debt of countries creates exposure to the direct or indirect consequences of political, social or economic changes in the countries that issue the securities or in which the issuers are located. The ability and willingness of sovereign obligors in countries or the governmental authorities that control repayment of their debt to pay principal and interest on such debt when due may depend on general economic and political conditions within the relevant country. Certain countries in which the strategy may invest have historically experienced, and may continue to experience, high rates of inflation, high interest rates and extreme poverty and unemployment. Some of these countries are also characterized by political uncertainty or instability. Additional factors which may influence the ability or willingness to service debt include a country's cash flow situation, the availability of sufficient foreign exchange on the date a payment is due, the relative size of its debt service burden to the economy as a whole and its government's policy towards the International Monetary Fund, the International Bank for Reconstruction and Development and other international agencies. The ability of a foreign sovereign obligor to make timely payments on its external debt obligations also will be strongly influenced by the obligor's balance of payments, including export performance, its access to international credits and investments, fluctuations in interest rates and the extent of its foreign reserves. A governmental obligor may default on its obligations. Some sovereign obligors in countries have been among the world's largest debtors to commercial banks, other governments, international financial organizations and other financial institutions. These obligors, in the past, have experienced substantial difficulties in servicing their external debt obligations, which led to defaults on certain obligations and the restructuring of certain indebtedness. The imposition of sanctions, confiscations, trade restrictions (including tariffs) and other government restrictions by the United States and other governments, or problems in share registration, settlement or custody, may also result in losses.
- Foreign investment risk. Special risks associated with investments in foreign companies include exposure to currency fluctuations, less liquidity, less developed or less efficient trading markets, lack of comprehensive company information, political or economic instability, seizure or nationalization of assets, imposition of taxes or repatriation restrictions and differing auditing and legal standards. The securities of issuers located in emerging markets can be more volatile and less liquid than those of issuers in more mature economies. The imposition of sanctions, confiscations, trade restrictions (including tariffs) and other government restrictions by the United States and other governments, or problems in share registration, settlement or custody, may also result in losses.
- General risks. Each investment strategy we offer invests in a variety of securities and employs a number of investment techniques that involve certain risks. Investments involve risk of loss that clients should be prepared to bear. We do not guarantee or represent that our investment program will be successful. Our past results are not necessarily indicative of our future performance and our investment results may vary over time. We cannot assure investors that our investments will be profitable, and in fact, investors could incur substantial losses. The investor's investments with us are not a bank deposit and are not insured or guaranteed by the FDIC or any other government agency.
- Government securities risk. Not all obligations of the U.S. government's agencies and instrumentalities are backed by the full faith and credit of the U.S. Treasury. Some obligations are backed only by the credit of the issuing agency or instrumentality, and in some cases there may be some risk of default by the issuer. Any guarantee by the U.S. government or its agencies or instrumentalities of a security held by the strategy does not apply to the market value of such security. A security backed by the U.S. Treasury or the full faith and credit of the United States is guaranteed only as to the timely payment of interest and principal when held to maturity. In addition, because many types of

U.S. government securities trade actively outside the United States, their prices may rise and fall as changes in global economic conditions affect the demand for these securities.

- **Growth and value stock risk.** By investing in a mix of growth and value companies, the strategy assumes the risks of both. Investors often expect growth companies to increase their earnings at a certain rate. If these expectations are not met, investors can punish the stocks inordinately, even if earnings do increase. In addition, growth stocks typically lack the dividend yield that can cushion stock prices in market downturns. Value stocks involve the risk that they may never reach their expected full market value, either because the market fails to recognize the stock's intrinsic worth, or the expected value was misgauged. They also may decline in price even though in theory they are already undervalued.
- **Indexing strategy risk:** Mellon Investments Corporation (Mellon) uses an indexed approach to manage the portion of the Sustainable Balanced strategy that is allocated to debt and debt-related securities. For this portion of the strategy's assets, Mellon does not attempt to manage market volatility, use defensive strategies or reduce the effects of any long-term periods of poor index performance. The correlation between strategy and index performance may be affected by the strategy's expenses and use of sampling techniques, changes in securities markets, changes in the composition of the index and the timing of purchases and sales.
- **Interest rate risk.** Prices of debt securities tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect the prices of these securities and, accordingly, the value of investment. The longer the effective maturity and duration of the strategy's portfolio, the more the value of the investor's investment is likely to react to interest rates. Mortgage-related securities can have a different interest rate sensitivity than other bonds, however, because of prepayments and other factors, and may carry additional risks and be more volatile than other types of debt securities due to unexpected changes in interest rates.
- **Investment strategy risk.** A strategy's investment criteria (for example, sustainability) may limit the number of investment opportunities available to the strategy, and, as a result, at times the strategy's returns may be lower than those of strategies that are not subject to such special investment considerations.
- **Issuer risk.** The value of a security may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's products or services.
- **Large cap stock risk.** To the extent a strategy invests in large capitalization stocks, the strategy may underperform strategies that invest primarily in the stocks of lower quality, smaller capitalization companies during periods when the stocks of such companies are in favor.
- **LIBOR risk.** The Financial Conduct Authority of the United Kingdom, the regulator responsible for the London Interbank Offered Rate ("LIBOR"), has announced that LIBOR (in its current formulation) will cease to be published after: (i) December 31, 2021 for all tenors of non-US dollar LIBOR, as well as for one-week and two-month tenors for US dollar LIBOR, and (ii) after June 30, 2023 for the other tenors of US dollar LIBOR. In light of this eventuality, public and private sector industry initiatives are currently underway to transition from LIBOR-based instruments to instruments indexed to alternative reference rates. There is no assurance that the composition or characteristics of any such alternative reference rate will be similar to or produce the same value or economic equivalence as LIBOR or that it will have the same volume or liquidity as did LIBOR prior to its discontinuance or unavailability, which may affect the value, liquidity or return on LIBOR-based investments such as loans, derivatives, fixed income, floating rate securities and other instruments. Client accounts that hold such instruments, now or at any time prior to the transition, may also incur costs in connection with closing out positions and entering into new trades.
- **Liquidity risk.** When there is little or no active trading market for specific types of securities, it can become more difficult to sell the securities at or near their perceived value. In such a market, the value of such securities and the value of the investor's investment may fall dramatically. Liquidity risk also exists when a particular derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price. The secondary market for certain municipal bonds tends to be less well developed or liquid than many other securities markets, which may adversely affect the strategy's ability to sell such municipal bonds at attractive prices.
- **Market risk.** The market value of a security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates, outbreaks of an infectious disease, or adverse investor sentiment generally. A security's market value also may decline because of factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Global economies and financial markets are becoming increasingly interconnected, and conditions and events in one country, region or financial market may adversely impact issuers in a different country, region or financial market. These risks may be magnified if certain events or developments adversely interrupt the global supply chain; in these and other circumstances, such risks might affect companies world-wide.



- **Small and midsize company risk.** Small and midsize companies carry additional risks because the operating histories of these companies tend to be more limited, their earnings and revenues less predictable (and some companies may be experiencing significant losses), and their share prices more volatile than those of larger, more established companies. The shares of smaller companies tend to trade less frequently than those of larger, more established companies, which can adversely affect the pricing of these securities and the strategy's ability to sell these securities. These companies may have limited product lines, markets or financial resources, or may depend on a limited management group. Some of the strategy's investments will rise and fall based on investor perception rather than economic factors. Other investments are made in anticipation of future products, services or events whose delay or cancellation could cause the stock price to drop.
- **Stock investing risk.** Stocks generally fluctuate more in value than bonds and may decline significantly over short time periods. There is the chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The market value of a stock may decline due to general market conditions that are not related to the particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates, or adverse investor sentiment generally. A security's market value also may decline because of factors that affect a particular industry, such as labor shortages or increased production costs and competitive conditions within an industry, or factors that affect a particular company, such as management performance, financial leverage, and reduced demand for the company's products or services.
- **Stock selection risk.** Although the strategy seeks to manage risk by broadly diversifying among industries and by maintaining a risk profile generally similar to the relevant index, the strategy is expected to hold fewer securities than the index. Owning fewer securities and having the ability to purchase companies not listed in the index can cause the strategy to underperform the index.
- **Sustainable strategy investment risk.** Where the strategy follows a sustainable investment approach, this could cause it to perform differently than strategies that have a similar objective but which do not integrate sustainable investment criteria when selecting securities. These strategies could have limited exposure to some companies, industries or sectors as a result and may forego certain investment opportunities, or dispose of certain holdings, that do not align with their sustainability criteria. As a result, accounts that follow a sustainable investment approach could underperform similar accounts that do not follow a sustainable investment approach. As investors can differ in their views of what constitutes a sustainable investment, these strategies could also invest in assets that do not reflect the beliefs and values of any particular investor. The regulatory framework applying to sustainable products and sustainable investing is rapidly evolving. As such, the aims and investments of the sustainable strategies may be subject to change over time in order to comply with new requirements or applicable regulatory guidance.

## **ITEM 9. DISCIPLINARY INFORMATION**

From time to time, Newton and/or BNY Mellon and its affiliates may be involved in regulatory examinations or litigation that arise in the ordinary course of our business.

On 21 February 2019, the UK Financial Conduct Authority (“FCA”) found that Newton Investment Management Limited (“Newton”), through the actions of a former employee in 2014 and 2015, shared information with three other UK investment advisers in relation to two initial public offerings and one placing by UK issuers by disclosing the price it intended to pay, or accepting such information, or both, shortly before the share prices were set. The FCA found that parts of this conduct violated the UK Competition Act 1998. Newton self-reported this matter to the FCA following identification of the issue. The former employee’s actions contravened Newton’s code of conduct and ethical standards, and the employee has since been dismissed. The Bank of New York Mellon Corporation (“BNYM”) was found jointly and severally liable by reason of being Newton’s ultimate parent company. Neither BNYM nor any of its employees was involved in any aspect of the relevant conduct and there has been no allegation nor negative finding by the FCA in respect of the conduct of BNYM.

## **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **BNY MELLON IS A GLOBAL FINANCIAL SERVICES COMPANY**

BNY Mellon is a global financial services company providing a comprehensive array of financial services (including asset management, wealth management, asset servicing, clearing and execution services, issuer services and treasury services) through a world-wide client focused team that enables institutions and individuals to manage and service their financial assets. BNY Mellon Investment Management is the umbrella designation for BNY Mellon's affiliated investment management firms, wealth management business, and global distribution companies and is responsible, through various subsidiaries, for U.S. and non-U.S. retail, intermediary and institutional distribution of investment management and related services.

In addition to the investment advisory service provided by the Firm and outlined in Item 4, certain of our employees are also officers of The Bank of New York Mellon, an affiliated New York State chartered bank (the "Bank"). In their capacities as officers of the Bank ("dual officers"), these Newton personnel provide administrative and operational services to certain collective investment funds of the Bank.

We may enter into transactions with unaffiliated counterparties or third party service providers who then use affiliates of ours to execute such transactions. Additionally, we may effect transactions in American Depositary Receipts ("ADRs") or other securities and the involved issuers or their service providers may use affiliates for support services. Services provided by our affiliates to such unaffiliated counterparties, third party service providers and/or issuers may include, for example, clearance of trades, purchases or sales of securities, serving as depositary bank to issuers of ADRs, providing foreign exchange services in connection with dividends and other distributions from foreign issuers to owners of ADRs, or other transactions not contemplated by us. Although one of our affiliates may receive compensation for engaging in these transactions and/or providing services, the decision to use or not use an affiliate of ours is made by the unaffiliated counterparty, third party service provider or issuer. Further, we will likely be unaware that the affiliate is being used to enter into such transaction or service.

BNY Mellon and/or its other affiliates may gather data from us about our business operations, including information about holdings within client portfolios, which is required for regulatory filings to be made by us, BNY Mellon or other affiliates (e.g., reporting beneficial ownership of equity securities) or for other compliance, financial, legal or risk management purposes, pursuant to policies and procedures of the Firm, BNY Mellon or other affiliates. This data is deemed confidential and procedures are followed to ensure that any information is utilized solely for the purposes intended.

### **BNY MELLON'S STATUS AS A BANK HOLDING COMPANY**

BNY Mellon and its direct and indirect subsidiaries, including us, are subject to certain U.S. banking laws, including the Bank Holding Company Act of 1956, as amended (the "BHCA"), and to regulation and supervision by the Board of Governors of the Federal Reserve System (the "Federal Reserve"), and to the provisions of, and regulations under, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The BHCA and the Dodd-Frank Act (and other applicable banking laws, and their interpretation and administration by the appropriate regulatory agencies, including but not limited to the Federal Reserve) may restrict the transactions and relationships among BNY Mellon, its affiliates (including us) and our clients, and may restrict our investments, transactions and operations. For example, the BHCA regulations applicable to BNY Mellon and us may, among other things, restrict our ability to make certain investments or the size of certain investments, impose a maximum holding period on some or all of our investments, and restrict our ability to participate in the management and operations of the companies in which we invest. In addition, certain BHCA regulations may require aggregation of the positions owned, held or controlled by related entities. Thus, in certain circumstances, positions held by BNY Mellon and its affiliates (including us) for client and proprietary accounts may need to be aggregated and may be subject to a limitation on the amount of a position that may be held. These limitations may have an adverse effect on our ability to manage client investment portfolios. For example, depending on the percentage of a company we and our affiliates (in the aggregate) control at any given time, the limits may: (1) restrict our ability to invest in that company for certain clients and/or (2) require us to sell certain client holdings of that company at a time when it may be undesirable to take such action. Additionally, BNY Mellon may in the future, in its sole discretion and without notice, engage in activities impacting us in order to comply with the BHCA and the Dodd-Frank Act or other legal requirements applicable to (or reduce or eliminate the impact or applicability of any bank regulatory or other restrictions on) us and accounts managed by us and our affiliates.

## THE VOLCKER RULE

The Dodd-Frank Act includes provisions that have become known as the “Volcker Rule,” which restrict bank holding companies, such as BNY Mellon and its subsidiaries (including us) from (i) sponsoring or investing in a private equity fund, hedge fund or otherwise “covered fund”, with the exception, in some instances, of maintaining a de minimis investment, subject to certain other conditions and/or exceptions, (ii) engaging in proprietary trading, and (iii) entering into certain transactions involving conflicts of interest (e.g., extensions of credit). The final Volcker Rule was jointly adopted by a group of U.S. federal financial regulators in December 2013 and was fully implemented by BNY Mellon by July 21, 2017.

The Volcker Rule generally prohibits certain transactions involving an extension of credit between BNY Mellon and its affiliates, on the one hand, and “covered funds” managed by BNY Mellon and/or its affiliates (including us), on the other hand, subject to certain exemptions pursuant to which such extensions of credit are permitted. BNY Mellon affiliates provide securities clearance and settlement services to broker-dealers on a global basis. The operational mechanics of the securities clearance and settlement process can result in an unintended intraday extension of credit between the securities clearance firm and a “covered fund.” As a result, unless an applicable exemption is available, we may be restricted from using a BNY Mellon affiliate as custodian or in other capacities for covered funds as well as be restricted in executing transactions for certain funds through broker-dealers that utilize a BNY Mellon affiliate as their securities clearance firm. Such restrictions could limit the covered fund’s selection of service providers and prevent us from executing transactions through broker-dealers we would otherwise use in fulfilling our duty to seek best execution.

## AFFILIATED PLACEMENT AGENTS

We have affiliated “placement agents,” including BNYMSC, BNY Mellon Investment Management EMEA Limited, BNY Mellon Asset Management Canada and BNY Mellon entities, who solicit persons to invest in various products, including our separate account products, for which we act as investment manager. We or our affiliates are solely responsible for the payment of these commissions and fees - they will not be borne by our separate account clients. Nonetheless, these financial arrangements present a conflict of interest because they provide a financial incentive to the placement agents and their employees and/or salespersons to steer investors toward those separate account models that will generate higher commissions and fees. *Please see Item 14 for more information on the compensation arrangements related to client referrals.*

Newton dedicated sales and client service personnel are registered representatives of our affiliate, BNYMSC, a registered investment adviser under the Investment Advisers Act of 1940, as amended, a registered broker-dealer under the Securities Exchange Act of 1934, as amended, and a member of the Financial Industry Regulatory Authority. In their capacity as registered representatives of BNYMSC, these employees sell and provide services regarding strategies managed by us. There is a financial arrangement in place between us and BNY Mellon Securities Corporation.

## AFFILIATED REVENUE SHARE ARRANGEMENTS

We have affiliated revenue share agreements in place with other BNY Mellon entities, which solicit persons to invest in various funds to which we provide investment sub-advisory services, separate account strategies and sometimes also provide other administrative services. In certain instances, we enter into revenue sharing arrangements with affiliates where we either receive a portion of the fee, or bill the entire fee to the client and reimburse the affiliate. We or our affiliates are solely responsible for the payment of these fees. They will not be borne by clients or fund investors (directly or indirectly) and come out of our own profits. *Please see Item 14 for more information on the compensation arrangements related to client referrals.*

## AFFILIATED SERVICE PROVIDERS

In addition, to the extent permitted under applicable law, placement agents and their respective affiliates provide brokerage and certain other financial and securities services to the Firm, its affiliates or related private funds. Such services, if any, will be provided at competitive rates. BNY Mellon is also affiliated with service providers, distributors and consultants that may provide services and may receive fees from BNY Mellon in connection with such services, which may incentivize such persons to distribute interests in other BNY Mellon products (e.g. a private fund).

## DUAL OFFICERS AND EMPLOYEES

Certain of our employees and related personnel act as officers or employees of one or more of our affiliates (“dual officers”), including The Bank of New York Mellon, an affiliated New York chartered bank (the “Bank”) for the purposes of performing oversight of discretionary investment advisory services and administrative and operational services to certain collective investment funds of the Bank and we receive a fee for such services

We may also provide sub-advisory services to certain affiliated registered investment companies by serving as a sub-adviser to BNY Mellon Investment Adviser, Inc. and to certain affiliated collective investment funds by serving as sub-adviser to the Bank. For such services, we receive a portion of the investment management fee received by BNY Mellon Investment Adviser, Inc. or the Bank respectively from each investment company or collective investment fund to which it renders advice.

## OTHER RELATIONSHIPS

In addition, BNY Mellon personnel, including certain Firm employees, may have board, advisory, or other relationships with issuers, distributors, consultants and others that have investments in a private fund and/or related funds or that may recommend investments in a private fund or distribute interests in a private fund. To the extent permitted by applicable law, BNY Mellon and its affiliates, including the Firm and its personnel, may make charitable contributions to institutions, including those that have relationships with investors or personnel of investors. As a result of the relationships and arrangements described in this paragraph, placement agents, consultants, distributors and other parties would have conflicts associated with their promotion of a private fund, or other dealings with a private fund, that create incentives for them to promote a private fund.

Some of our clients may retain consulting firms to assist them in selecting investment managers. Some consulting firms provide services to both those who hire investment managers and to an investment management firms, and we may provide separate advisory services directly or indirectly to employees of such consulting firms. We may pay to attend conferences sponsored by consulting firms and/or purchase services from consulting firms where we believe those services will be useful to us in operating our investment management business. We do not pay referral fees to consultants. However, our clients and prospective clients should be aware that consulting firms might have business relationships with investment management firms that they recommend to their clients.

BNY Mellon maintains, and we have adopted, a Code of Conduct that addresses these types of relationships and the conflicts of interest they present, including the provision and receipt of gifts and entertainment.

BNY Mellon, among several other leading investment management firms, has a minority equity interest in Luminex Trading and Analytics, LLC (“Luminex”), a registered broker-dealer under the Exchange Act, which was formed for the purpose of establishing and operating a “buy-side” owned and controlled electronic execution utility for trading securities (the “Alternative Trading System”). Transactions for clients for which we serve as adviser or sub-adviser may be executed through the Alternative Trading System. We and BNY Mellon disclaim that either is an affiliate of Luminex.

## AFFILIATED BROKER-DEALERS AND INVESTMENT ADVISERS

We are affiliated with a significant number of advisers and broker/dealers. *Please see our Form ADV, Part 1A - Schedule D, Section 7.A for a list of our affiliated advisers and broker-dealers.* Several of our investment adviser affiliates have, collectively, a significant number of investment-related private funds for which a related person serves as sponsor, general partner or managing member (or equivalent), respectively. *Please refer to the Form ADV, Part 1A – Schedule D, Section 7.B for each of our affiliated investment advisers for information regarding such firm’s private funds (if applicable) and such firm’s Form ADV, Part 1A – Schedule D, Section 7.A for information regarding related persons that serve in a sponsor, general partner or managing member capacity (if applicable).*

Where we select the broker to effect purchases or sales of securities for client accounts, we use either an affiliated or unaffiliated broker (unless otherwise restricted by an agreement, law or regulation). We have an incentive to enter into transactions with an affiliated broker-dealer, in an effort to direct more commission dollars to the affiliate. However, we have broker selection policies in place that require our selection of a broker-dealer to be consistent with duty to seek best execution, and subject to any client and regulatory proscriptions. *Please see Item 12 below for more information on our broker selection process.*

Certain unaffiliated brokers-dealers we use to execute trades for our clients may use a broker-dealer affiliated with us to clear those trades. In such cases, the clearing broker receives a clearance fee negotiated and paid by the executing broker-dealer. The decision to use an affiliate of ours in these circumstances is made by the unaffiliated executing broker-dealer, and we have no influence over whether a broker-dealer we select to execute client trades clears through one of our affiliates, or the financial arrangement between them. In addition, we are typically unaware that the executing broker dealer has chosen to use one of our affiliates to clear such trades.

We provide sub-advisory services to certain affiliated registered investment companies by serving as a sub-adviser to BNY Mellon Investment Adviser, Inc. and to certain bank collective investment funds by serving as a sub-adviser to The Bank of New York Mellon. For such services, we receive a portion of the investment management fee received by BNY Mellon Investment Adviser, Inc. from each investment company, or a portion of the management fee received by The Bank of New York Mellon from each bank collective investment fund, to which the firm renders advice. In addition, we also provide sub-advisory services to other affiliated pooled investment vehicles within the BNY Mellon Group.

We may be prohibited or limited from effecting transactions for you because of rules in the marketplace, foreign laws or our own policies and procedures. In certain cases, we may face further limitations because of aggregation issues due to our relationship with affiliated investment management firms. *Please refer to item 6 above and Item 12, below, for a discussion of trade aggregation issues.*

## **AFFILIATED UNDERWRITERS**

Our broker-dealer affiliates occasionally act as underwriter or as a member of the underwriting syndicate for certain new issue securities, which presents a conflict of interest because it creates an incentive for us to purchase these new issue securities, in an effort to provide additional fees to the broker-dealer affiliate.

BNY Mellon has established a policy regarding purchases of securities in an offering in which an affiliate acts as an underwriter or as a member of the underwriting syndicate. In compliance with applicable banking, securities and ERISA regulations, we may purchase on behalf of our clients securities in an offering in which an affiliate is acting as an underwriter or as a member of the underwriting syndicate during the syndication period, so long as requirements of the policy, including written approval and compliance with certain investment criteria are met. The policy prohibits direct purchases from an affiliate for any fiduciary account under any circumstances.

## **AFFILIATED WRAP SPONSORS**

We are a participant in various wrap programs sponsored by affiliates, such as BNYMSC, and non-affiliates. With respect to accounts which are opened through the wrap programs in which Newton provides non-discretionary advisory model account services. Both affiliated and non-affiliated sponsors may obtain advisory, brokerage, clearing, and other wrap program services from affiliates or us, including among others, BNY Mellon Securities Corporation, Pershing LLC and Lockwood Advisors, Inc.

Our relationships with wrap program sponsors may create conflicts of interest for the sponsors and us. A client in a wrap program has access to those investment advisers participating in the program. Wrap program sponsors typically select the investment advisers who participate in the program, and provide advice to clients regarding the selection of an investment adviser from among the advisers participating in the program. If the wrap program sponsor is affiliated with us, the sponsor may have an incentive to give us access to the program and to steer clients toward us, based on the affiliation rather than based on our expertise or performance or the client's needs. However, we are subject to the same selection and review criteria as the other advisers who participate in our affiliates' wrap programs. Likewise, we, in the hope of gaining clients through a wrap program, may have an incentive to execute brokerage transactions through the program sponsor (whether affiliated or unaffiliated), who in turn has the power to recommend us to program participants.

## AFFILIATED BANKING INSTITUTIONS

BNY Mellon engages in trust and investment business through various banking institutions, including the Bank and BNY Mellon, National Association. These affiliated banking institutions provide certain services to us, such as recordkeeping, accounting, marketing services, and/or referrals of clients. We provide the affiliated banking institutions with sales and marketing materials regarding our investment management services that may be distributed under the name of certain marketing “umbrella designations” such as BNY Mellon, BNY Mellon Wealth Management, BNY Mellon IM, and BNY Mellon Investment Management EMEA.

Certain of our employees and related personnel are also officers of the Bank. In their capacity as officers of the Bank, our personnel provide discretionary investment advisory services to certain clients and also to certain collective investment funds of the Bank and we receive a fee for such services. In addition, our primarily institutional and employee benefit and foundation clients and our affiliated employee benefit plan may invest in certain collective investment funds of the Bank.

Certain clients may have established custodial or sub-custodial arrangements with the Bank and other financial institutions that are affiliated with us. Furthermore, the Bank and other financial institutions that are affiliated with us provide services (such as trustee, custodial or administrative services) to issuers of securities. Because of their affiliation with us, our ability to purchase securities of such issuers and to take advantage of certain market opportunities may be subject to certain restrictions and in some cases, prohibited.



## ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, PERSONAL TRADING

We have adopted a Code of Ethics that is made up of two parts:

1. BNY Mellon Code of Conduct (the “BNY Mellon Code”); and
2. BNY Mellon personal securities trading policy (the “PSTP”)

The BNY Mellon Code provides the framework and sets the expectations for business conduct. In addition, it clarifies the Firm’s responsibilities to clients, suppliers, government officials, competitors and the communities we serve and outlines important legal and ethical issues. Below are key principles of the BNY Mellon Code and an overview of areas covered by these principles:

1. **Respecting Others:** We are committed to fostering an inclusive workplace where talented people want to stay and develop their careers. Supporting a diverse, engaged workforce allows us to be successful in building trust, empowering teams, serving our clients and outperforming our peers. We give equal employment opportunity to all individuals in compliance with legal requirements and because it’s the right thing to do.
2. **Avoiding Conflicts:** We make our business decisions free from conflicting outside influences. Our business decisions are based on our duty to BNY Mellon and our clients, and not driven by any personal interest or gain. We are alert to any potential conflict of interest and ensure we identify and mitigate or eliminate any such conflict.
3. **Conducting Business:** We secure business based on honest competition in the marketplace, which contributes to the success of our company, our clients and our shareholders. We compete in full compliance with all applicable laws and regulations. We support worldwide efforts to combat financial corruption and financial crime.
4. **Working with Governments:** We follow all requirements that apply to doing business with governments. We recognize that practices that may be acceptable when dealing with a private company that is the client may cause problems or be a violation of law when working with a government.
5. **Protecting Company Assets:** We ensure all entries made in the company’s books and records are complete and accurate, and comply with established accounting and record-keeping procedures. We maintain confidentiality of all forms of data and information entrusted to us, and prevent the misuse of information belonging to the company or any client.
6. **Supporting Our Communities:** We take an active part in our communities around the world, both as individuals and as a company. Our long-term success is linked to the strength of the global economy and the strength of our industry. We are honest, fair and transparent in every way that we interact with our communities and the public at large.

As a global financial institution, BNY Mellon and its subsidiaries (the “Company”) are subject to certain laws and/or regulations governing the personal trading of securities. In order to ensure that all employees’ personal investments are conducted in compliance with the applicable rules and regulations and are free from conflicts of interest, the Company has established limitations on personal trading, as reflected in the PTSP.

The PSTP sets forth procedures and limitations that govern the personal securities transactions of our employees in accounts held in their own names as well as accounts in which they have indirect ownership. We and our related persons and employees, may, under certain circumstances and consistent with the PSTP, purchase or sell for their own accounts securities that we also recommend to clients.

The PSTP imposes different requirements and limitations on employees based on the nature of their business activities for Newton. Each of our employees is generally classified as one of the following:



1. **Investment employee (“IE”):** IE is an employee who, in the normal conduct of his/her job responsibilities, has access (or is likely to be perceived to have access) to non-public information regarding any advisory client’s purchase or sale of securities or non-public information regarding the portfolio holdings of any proprietary fund, is involved in making securities recommendations to advisory clients or has access to such recommendations before they are public.
2. **Access decision maker (“ADM”):** Generally, employees are considered to be ADM Employees if they are portfolio managers or research analysts and make or participate in recommendations or decisions regarding the purchase or sale of securities for mutual funds or managed accounts. Portfolio managers of broad-based index funds and traders are not typically classified as ADM Employees.
3. **Non-Classified Employee:** Our employees are considered non-classified if they are not an IE or ADM.

#### PSTP overview:

1. IEs and ADMs are subject to preclearance and personal securities reporting requirements, with respect to discretionary accounts in which they have direct or indirect ownership.
2. Transaction reporting is not required for non-discretionary accounts, transactions in exempt securities or certain other transactions that are not deemed to present any potential conflicts of interest.
3. Preclearance is not required for transactions involving certain exempt securities (such as open-end investment company securities that are not proprietary funds or money market funds) and short-term instruments, non-financial commodities; transactions in non-discretionary accounts (approved accounts over which the employee has no direct or indirect influence or control over the investment decision-making process); transactions done pursuant to automatic investment plans; and certain other transactions detailed in the PSTP which are either involuntary or deemed not to present any potential conflict of interest.
4. BNYM have a “Preclearance Compliance Officer” who maintains a “restricted list” of companies whose securities are subject to trading restrictions. This list is used by the Preclearance Compliance Officer to determine whether or not to grant trading authorization.
5. The acquisition of any securities in a private placement requires prior written approvals.
6. With respect to transactions involving BNY Mellon Corp. securities, all employees are also prohibited from engaging in short sales, purchases on margin, option transactions (other than employee option plans), and short-term trading (i.e., purchasing and selling, or selling and purchasing BNY Mellon securities within any 60 calendar day period).
7. For IEs and ADMs, with respect to non-BNY Mellon Corp. securities purchasing and selling, or selling and purchasing the same or equivalent security within 60 calendar days is discouraged, and any profits must be disgorged.
8. No covered employee should knowingly participate in or facilitate late trading, market timing or any other activity with respect to any fund in violation of applicable law or the provisions of such fund’s disclosure documents.

A copy of our Code of Ethics will be provided upon request.

## INTEREST IN CLIENT TRANSACTIONS

Note that while each of the following types of transactions present conflicts of interest for us, as described below, we manage the Firm’s accounts consistent with applicable law, and we follow procedures that are reasonably designed to treat the Firm’s clients fairly and to prevent any client or group of clients from being systematically favored or disadvantaged.

### PRINCIPAL TRANSACTIONS

“Principal transactions” are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys any security from or sells any security to any client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated pooled investment vehicle and another client account. The Firm does not engage in principal transactions.

### CROSS TRANSACTIONS

From time to time securities to be sold on behalf of a client may be suitable for purchase by another client. In such instances, if we determine in good faith that the transaction is in the best interest of each client, then we will arrange for

the securities to be transferred between the client accounts at an independently determined fair market value (a “cross trade”). Cross trades present conflicts of interest, as there is an incentive for us to favor one client to the cross trade over the other. For example, if one client account pays performance fees to us, while the other client account pays only asset-based fees, we would have a financial incentive to favor the performance fee-paying account in the cross-trade. However, note that cross trades are subject to Advisers Act restrictions, and will only be undertaken by us as permitted and in compliance with applicable law.

## **TRANSACTIONS IN SAME SECURITIES**

We do not invest in securities for our own account for our benefit.

## **INTERESTS IN RECOMMENDED SECURITIES/PRODUCTS**

The Firm has a fiduciary duty to manage all client accounts in a fair and equitable manner. We strive to provide the best execution of all securities transactions and aggregate and then allocate securities to client accounts in a fair and timely manner. To accomplish this, the Firm has developed policies and procedures designed to mitigate and manage the potential conflicts of interest that may arise. A description of these is included below.

On occasion, we may recommend the purchase or sale of securities that are issued by our parent company, BNY Mellon, or underwritten by its affiliate, BNY Mellon Capital Markets, LLC, for client accounts if such recommendation or purchase or sale is in accordance with the client’s guidelines and applicable law. In addition, we or a related person may recommend the purchase of securities in certain non-US public funds (e.g. UCITS funds) which we manage and for which we may serve as sole director or managing member or collective investment funds maintained by the Bank (to which our personnel in their roles as dual officers of the Bank provide administrative and operational services and for which we receive a fee and the Bank may receive a custodial fee for custody services). We, our employees, and our related persons currently invest in certain non-US public funds (e.g. UCITS funds) or collective funds that may also include client assets managed by us, and we and such related persons will receive proportional returns associated with our investment. Additionally, we may receive an investment management fee in our capacity as investment adviser or sub-adviser and related persons (including affiliated broker-dealers) may receive certain amounts associated with placement agent fees, custodial fees, administrative fees, loads, or sales charges.

## **INVESTMENTS BY RELATED PERSONS AND EMPLOYEES**

We and our existing and future employees, our board members, and our affiliates and their employees may from time to time invest in products managed by us. We have developed policies and procedures to address any conflicts of interest created by such investment. We are part of a large diversified financial organization that includes banks and broker-dealers. As a result, it is possible that a related person may, as principal, purchase securities or sell securities for itself that we also recommend to clients. We do permit our employees to invest for their own account within the guidelines and restrictions of the Code of Ethics, as described above. *For more information, please see “Interests in Recommended Securities/Products” in this Item 11, and “Dual Officers and Employees” and “Affiliated Underwriters/Trustees” in Item 10 with regard to purchases of securities in an offering where an affiliate acts as underwriter or a member of the underwriting syndicate.*

## **AGENCY TRANSACTIONS INVOLVING AFFILIATED BROKERS**

Neither we nor any of our officers or directors, acting as broker or agent, effects securities transactions for compensation for any client. We are part of a large diversified financial organization that includes broker-dealers. As a result, it is possible that a related person, other than our officers and directors, may, as agent, effect securities transactions for our clients for compensation. *Please also see Item 10 and Item 12 for additional information relating to affiliate arrangements and with regard to purchases of securities in an offering where an affiliate acts as underwriter or a member of the underwriting. Please also see Schedule D, Section 7A of our Form ADV Part 1 for a list of broker-dealers which are our affiliates.*

## **FOREIGN EXCHANGE (FX) TRANSACTIONS**

Newton may effect FX transactions through an affiliate if the affiliate has been appointed as custodian by the client. In such transactions, Newton discloses this relationship, the capacity in which we act, and obtains consent to so act, when the client opens its discretionary account. If at any time a client wishes to revoke its consent to such transactions, it may provide us with written notice and upon receipt of such notice, we will refrain from engaging in any future FX transactions with the affiliate on the client’s behalf. Under no circumstances does Newton receive compensation in relation to such

transactions from either the affiliate or the client. Portfolio transaction decisions for its clients are made independently by us and are not based upon the interests of a related person. No client is required by Newton to enter into a relationship with a related person as a condition to the establishment or continuation of an advisory relationship. In addition, it is possible from time to time that such interests may be established independently by a related person without the knowledge of Newton pursuant to recommendations and arrangements independent of the services provided by us and/or in situations where Newton is not exercising investment management discretion of a type that would give rise to the application of the policies and procedures described in the preceding paragraph.

## ITEM 12. BROKERAGE PRACTICES

### BROKER SELECTION

Unless specifically directed otherwise by our clients, we have the authority to direct securities transactions on behalf of our clients to broker-dealers we select. All brokerage firms used by Newton are pre-approved via the Newton Counterparty approval process. Brokerage firms approved as part of this process are subject to an approval and ongoing monitoring process, which includes, but is not limited to, the broker's credit worthiness and financial stability, a review of the performance of execution services provided by the broker and the broker's ability to trade effectively on our clients' behalf. Newton maintains a list of all brokerage firms and counterparties that have been approved. This list is available on request.

The decision as to which brokerage firm or counterparty to use is at the sole discretion of the Newton dealing team and will depend on the circumstances of the particular order. Before the dealer makes a decision they may consult the portfolio manager to ascertain the objectives for the order and their preferences in relation to the relative importance of the execution factors, in order that best execution is achieved for its clients. From time to time Newton may request to use a brokerage firm or counterparty not on the list of approved brokers. Approval must be obtained on a one-off basis before any order is placed.

### SOFT DOLLARS

Section 28(e) of the Securities Exchange Act of 1934 provides a safe harbor that allows an adviser to use dollars generated from brokerage commissions from client transactions ("soft dollars") to pay for brokerage and research services provided by broker-dealers or third parties.

The term 'soft dollars' is commonly understood to refer to arrangements where an investment adviser uses client (or fund) brokerage commissions to pay for research and brokerage services to be used by the investment adviser. Newton does not receive research or other products or services other than execution from a broker-dealer or third party in connection with client securities transactions. Newton's procures, records, evaluates and pays for externally produced investment research out of its own resources and consequently, the Firm does not receive research or other products or services other than execution from a broker-dealer or third party in connection with client securities transactions.

### OTHER BROKERAGE PRACTICES - CONFLICTS OF INTEREST

The following brokerage practices may lead to an actual or potential conflict of interest when selecting broker-dealers to execute client trades:

1. receiving client referrals from a broker-dealer;
2. acting on a client's direction to use a particular broker-dealer; and
3. using affiliated broker-dealers.

### COMPENSATION FOR CLIENT REFERRALS

We do not direct securities transactions to any broker-dealer in exchange for referral of investment management clients.

### DIRECTED BROKERAGE

Newton may accept direction from a client to place specific transactions for a client's account with a particular broker-dealer. At times, a client will instruct us to direct a portion of its commission to a specified broker-dealer. In the event that such direction occurs, we may have limited capability to negotiate commission levels or obtain volume discounts, and may experience other impediments to achieving best execution. In addition, in meeting the client's brokerage directive, we may not be able to aggregate these transactions with transactions that we effect for other accounts we manage and we may delay placing the orders for directed transactions until our orders for other accounts have been completed. As a result, the net price paid or received by the directed transactions may be different than the price paid or received by our other accounts and, therefore we may be unable to achieve the most favourable execution for such directed account. Accordingly, directing brokerage may cost clients more money. Directing brokerage may cost clients

more money and we may not carry out directed brokerage if we feel that we may not receive best execution for all our clients.

In the event that a client requests directed brokerage, under the rules of the United Kingdom's Financial Conduct Authority, Newton's duty to achieve best execution would only apply with respect to those aspect or parts of an order not covered by the directed brokerage instruction.

## TRADE AGGREGATION AND TRADE ALLOCATION

Newton places orders for execution across multiple asset classes, including equity, derivatives, fixed income, collective investments and currencies. The Newton dealing team places and executes instructions received from portfolio managers.

Newton has a dedicated dealing team which handles these instructions as follows:

1. how instructions in the same security and the same direction (i.e. buy or sell) are aggregated; and
2. how the order proceeds or securities are allocated once an execution has been received.

Newton does not trade on its own account, and Newton does not handle any orders for BNY Mellon's own account. Therefore, client orders are not aggregated with those of Newton or BNY Mellon.

Typically, instructions for orders received by the Newton dealing team are generated by portfolio managers taking decisions to buy or sell securities for client investment portfolios. Portfolios are managed on a side-by-side basis, as multiple investment portfolios with similar investment objectives are managed concurrently; each has the opportunity to participate in investment ideas generated by the same investment process. As a result of this shared investment process, in many cases multiple instructions will be received by the Newton dealing team for the same security in the same direction, either simultaneously or within the same trading day.

Aggregating instructions for the same security in the same direction into one order provides the opportunity to benefit from average pricing; however the effect of aggregation may also work to a client's disadvantage on a particular order. The Newton dealing team seeks to minimise the potential for disadvantage to occur overall, whilst ensuring that instructions received are treated in a fair manner.

It may not always be possible to fully complete all orders by the close of the trading day in the relevant market, for example due to insufficient liquidity, and this may result in a partial execution. The Newton dealing team seeks to ensure that order proceeds and securities for both partial and full executions are allocated to order participants in a fair and equitable manner.

## AGGREGATION OF ORDERS

Newton uses a 'material change notification process for equity, equity-like and fixed income instruments. Recognising that Newton has a team-based approach for the allocation of investment ideas, Newton maintains that materially significant investment decisions should typically be expected to be implemented consistently across all portfolios within the strategy. Newton defines a material change to any portfolio as a position change of 50 basis points (0.5%) or greater for a portfolio. For all instructions that meet this criterion for any account in a single or aggregated order an immediate notification will be created and sent to Newton's investment team advising them of this change, enabling portfolio managers to join in with the decision, but subsequent trades are subject to Newton's process for trade aggregation which is the same as that which applies to all other orders.

## PROGRAM TRADES

If the Newton dealing team receive a program trade that contains orders whereby orders in the same security in the same direction have already been received by the dealing team, the dealers will not aggregate these orders with the existing orders, and allow the order to remain in the program trade if and only if the following conditions are met:

- The program order is small enough to have no material price impact on the security price in and of itself;
- That the program trade is a *bona fide* construct to minimise portfolio dispersion i.e. is a representative slice of the portfolio and not an investment decision per se;

- That the reason for the program trade is different from the existing trade, for reasons including but not limited to: client inflow/outflow, client termination, etc.

Where the dealing team receive a program trade that contains orders in securities where the volume of each security to be traded represents a high percentage of the average daily volume (ADV), typically over 20%, the orders will typically be removed from the program trade and be treated as separate orders.

## **ALLOCATION OF FULLY COMPLETED ORDERS**

Once an order has been fully completed (fully executed in the market), the proceeds or securities are promptly allocated in full to all order participants (with the exception of a house order where this will only occur after the 'open period' window has closed on a completed order). Typically, this would occur within two hours of the order completion or 'open period' finishing, if during normal office hours or promptly the following morning if completed outside of normal office hours.

## **ALLOCATION OF PARTIALLY COMPLETED ORDERS**

Where it has not been possible to fully complete an order by the close of the trading day in the relevant market, the partial execution is allocated promptly to each order participant (a 'partial allocation'). Typically, this would occur within two hours of the close of the relevant market if during normal office hours, or promptly the following morning if completed outside of normal office hours. The residual balance of the order is held over for the next trading day.

Allocations are made on a pro-rata basis for equities, derivatives, investments in collective investment schemes and currencies.

For fixed income, allocations are made on a pro-rata basis unless this would leave a participant with a position, which does not meet the minimum piece size; this is upheld for both buy and sell orders. Where this occurs, the balance forms a 'residual allocation balance' which is allocated to an order participant (selected on a random basis) who did meet the minimum piece size based on their pro-rata allocation.

In the event that a 'house order' is partially completed at the end of the trading day and a further instruction is received after the 'open period' window or market close, the partial execution is allocated to each 'house order' participant. The residual balance of the 'house order' is then merged with the new instruction and progressed as a non-house order the following day.

## **TRADING IN INITIAL PUBLIC OFFERINGS**

Newton has a written procedure in place for initial public offering (IPO) trading. IPO securities are allocated on a pro rata basis. Where an IPO is oversubscribed, the Firm does not over inflate its subscription.

## **TRADE COORDINATION**

As described in Item 4, The Firm and NIMNA LLC seek to optimise the extent to which each can share between the two firms internally generated investment research and/or research recommendations with a view to enhancing the research and investment opportunities for all portfolios managed by both firms. A trade coordination process is in place to notify the respective dealing functions of both Firms when dealing in the same security in the same direction above a pre-agreed combined liquidity threshold. Both Firms aim to then take all steps necessary to coordinate execution between them to optimise the market participation of the trades to avoid price impact and ensure fair allocation between both sets of client executions.

## **TRADE ERRORS**

Newton's policy is to put the client in the position it would have been had the error not occurred. Newton applies zero threshold to errors and therefore captures all identified errors and near misses irrespective of the size of the potential gain or loss. In calculating any potential compensation all relevant factors will be considered. If the error results in a loss to the client, the client shall be compensated for such loss. In determining the amount of loss, Newton may agree with the client an appropriate method of calculation considering circumstances surrounding the error. If the error gives rise

to an absolute profit, the client shall retain the profit. If the error gives rise to both a profit and a loss, Newton may aggregate the profit and the loss and only compensate the client the net amount of any such profit or loss. If a trade is duplicated in error, the client will receive the price related to the original (first) transaction. Any loss or gain from the erroneous duplicate transaction will be borne by the Firm.

## **ITEM 13. REVIEW OF ACCOUNTS**

Newton's portfolio managers and/or client relationship managers aim to review all client accounts with the client at least once a year or more frequently as agreed. Ad hoc reviews may also occur and could be triggered by a number of different factors, for example, a change of portfolio manager. These reviews are typically carried out via face-to-face meetings or conference calls and typically involve a detailed analysis of the portfolio.

Where appropriate, each client receives a report on the performance of their portfolio on a quarterly basis; this will include a portfolio valuation, accompanying cash and trading statements, a comparison of performance against the agreed benchmark and a market commentary.

Where clients have provided a specific instruction, we send out the Firm's monthly valuation reports within eight (8) working days of the month end. Quarterly reports are generally sent out within eighteen (18) working days after the end of the previous quarter.



## ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

### AFFILIATED MARKETERS

**Affiliated Solicitors and Placement Agents.** We pay referral fees to our affiliates (and/or their employees) for referrals that result in additional investment management business. Certain registered representatives of BNY Mellon Securities Corporation offer sales and marketing services to clients in North America on behalf of the Firm. There is a financial arrangement in place between us and BNY Mellon Securities Corporation. Please see the discussion of affiliated placement agents in Item 10, above.

Our ultimate parent, BNY Mellon, has organized its lines of business into two groups: Investment Management and Investment Services (collectively "Groups"). We are part of the Investment Management Group. A sales force has been created to focus on developing new customer relationships and developing and coordinating large complex existing customer relationships within those Groups.

We may pay a fee to an affiliate that has a pre-existing relationship with a new client in the Investment Services Group. The fees may be based on revenues and may provide for a one-time payment or payments over a number of years.

Receipt of compensation in connection with the sale of our products and services gives rise to a conflict of interest in that it may give our affiliates an incentive to recommend investment products and services based on the compensation they will receive, rather than solely on a client's needs.

**Unaffiliated Solicitors and Placement Agents.** We may hire third parties to solicit new investment advisory clients. The commissions or fees, if any, payable to such solicitors (also referred to as placement agents) with respect to solicitation of investments with us will be paid solely by us. Clients will not pay fees for these solicitations. These solicitors have an incentive for the client to hire us because we will pay the solicitor for the referral. The prospect of receiving solicitation/placement fees may provide such placement agents and/or their sales persons with an incentive to favor these sales over the sale of other investments with respect to which the placement agent does not receive such compensation, or receives lower levels of compensation. In addition, to the extent permitted by law, certain placement agents and their respective affiliates may provide brokerage and certain other financial and securities services to us or our affiliates. Such services, if any, will be provided at competitive rates.

## ITEM 15. CUSTODY

Rule 206(4)-2 under the Advisers Act (the “Custody Rule”) defines “custody” to include a situation in which an adviser or a related person holds, directly or indirectly, client funds or securities or has any authority to obtain possession of them, in connection with advisory services provided by the adviser.

For purposes of the Custody Rule, we are deemed to have “custody” of certain client assets because certain client funds or securities are held by qualified custodians owned and controlled by The Bank (a related person of Newton). Our related persons serve as general partner/ managing member/trustee (or similar capacity) of investment funds organized as limited partnership/limited liability company/trust and actually maintain possession of client funds or securities for clients whose funds and securities are managed by Newton.

Generally, an adviser that is deemed to have custody of a client’s funds or securities, among other things, is required to arrange for an annual independent verification of such funds or securities in accordance with the Custody Rule (the “Surprise Exam Requirement”). However, the Custody Rule contains an exception from the Surprise Exam Requirement:

1. **Ability to Deduct Fees:** advisers deemed to have custody of client assets solely because of their ability to deduct fees from client accounts are not subject to the Surprise Exam Requirement.
2. **Related Person & Operational Independence:** advisers deemed to have custody of client assets solely because a related person holds client assets will not be subject to the Surprise Exam Requirement, **provided** the adviser and the related person are “operationally independent.”
3. **Pooled Investment Vehicles:** advisers deemed to have custody of the assets of clients formed as pooled investment vehicles will not be subject to the Surprise Exam Requirement, **provided** the pool has audited financial statements that are prepared in accordance with generally accepted accounting principles and such statements are distributed to investors in the pool within 120 days (or 180 days for funds of funds) of the end of the pool’s fiscal year.

We have determined that our operations are independent from those of the Bank as well as other BNY Mellon group qualified custodians holding client funds and securities belonging to the Firm’s clients. Furthermore, under the terms of the agreements between our clients and the qualified custodians, the Firm does not have any authority over the assets and funds within the account beyond discretionary trading authority.

Discretionary investment advisory clients contracted directly with Newton should regularly receive from your appointed bank, broker-dealer or other qualified custodian an account statement, identifying the amount of funds and each security in the account at the end of the period and setting forth all transactions in the account during that period. Please review these statements carefully. You will also receive account statements separately from us. You are strongly urged to compare the account statements you receive from us with those that you receive from your qualified custodian.

## PHYSICAL CUSTODY

We do not maintain physical possession of client assets held in separately managed accounts. Typically each of our clients independently selects a custodian with whom it contracts directly. Our authority to instruct the client’s custodian is limited to that granted by the client to us in the investment management agreement.

## **ITEM 16. INVESTMENT DISCRETION**

For separate accounts, Newton typically receives discretionary investment authority over client assets, and clients must grant this discretionary authority to Newton in writing via a contract (otherwise known as an Investment Management Agreement) and/or through an appointment to become the investment adviser of a private fund. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objective(s), guidelines, permissions and restrictions for the particular client account, and as agreed between Newton and client. In most instances the investment guidelines and restrictions to be adhered to will be written and attached as Schedule(s) to the investment management agreement. For pooled investment vehicles, the Firm also has discretionary investment authority, and must adhere to and follow the investment objective(s) and set of investment policies and/or guidelines of the vehicle rather than tailoring to individual client needs. These vehicles are not able to impose individual investment restrictions on the Firm's investment strategies for underlying investors in these pooled investment vehicles.

Clients must deliver their investment guidelines and restrictions to us in writing, and we will adhere to such guidelines and restrictions when making investment decisions.

## ITEM 17. VOTING CLIENT SECURITIES

As part of the contractual relationship between us and our clients, typically through an investment management agreement, a client may delegate to us its right to exercise voting authority in connection with the securities we manage for that client. Voting rights are most commonly exercised by casting votes by proxy at shareholder meetings on matters that have been submitted to shareholders for approval. Consistent with applicable rules under the Advisers Act, we have adopted and implemented written proxy voting policies and procedures that are reasonably designed: (1) to vote proxies, consistent with our fiduciary obligations, in the best interests of clients; and (2) to prevent conflicts of interest from influencing proxy voting decisions made on behalf of clients. We provide these proxy voting services as part of our investment management service to client accounts and do not separately charge a fee for this service.

Clients that have granted us with voting authority are not permitted, routinely, to direct us on how to vote in a particular solicitation. Clients that have not granted us voting authority over securities held in their accounts will receive their proxies in accordance with the arrangements they have made with their service providers. We generally do not provide proxy voting recommendations to clients who have not granted us voting authority over their securities.

For separate account clients that have afforded Newton voting discretion, it is Newton's intention to exercise voting rights in all markets. In certain markets, shares may be 'blocked' when exercising voting rights. In these instances, Newton will only exercise voting rights when it is in the best interests of our clients. The exercise of voting rights is a two-stage process, as a minimum, involving two separate members of the Responsible Investment team; one to submit the voting decision while the other approves the decision. In addition and where necessary, vote decisions will be in collaboration with the relevant global sector analysts and portfolio managers. Voting decisions are based on a balanced view of Newton's responsible investment policies and principles, investment rationale and engagement activities, the company's unique situation together with the company's adherence to relevant codes, guidelines and regulations,

### Potential Conflicts of interest may arise such as:

1. We manage assets for a company whose management is soliciting proxies
2. BNY Mellon executives acting as board members of a company whose management is soliciting proxies (see below)
3. We have a business or personal relationship with participants in a proxy contest

### BNY Mellon Proxy Conflicts Policy; Proxy Conflicts Committee

Under certain circumstances, BNY Mellon has determined that it may not be appropriate for its subsidiaries and business units with discretionary authority to vote proxies on behalf of clients, including us (each, a "Voting Firm"), and has established a Proxy Voting Conflicts Policy (the "BNYM Policy") that sets forth the required actions and reporting of Voting Firms when actual or potential conflicts of interest involving BNY Mellon arise. The BNYM Policy identifies several specific types of proxy solicitations that are considered "Primary Conflicts" for all Voting Firms. Primary Conflicts typically arise when proxies are issued by BNY Mellon or by a pooled vehicle when relating to services provided by a BNY Mellon affiliate and may also arise due to relationships between a proxy issuer and BNY Mellon or BNY Mellon's Chief Executive Officer or Board of Directors. The BNYM Policy directs the manner in which such Primary Conflicts are to be addressed (e.g., application of pre-determined, written guidelines, client consent, or delegation to an independent fiduciary). The BNYM Policy also identifies as "Secondary Conflicts" situations that, while not identified as a Primary Conflict, may present an actual, potential or perceived material conflict for Voting Firms because of a relationship between a proxy issuer and BNY Mellon or its executive officers or Board of Directors.

When Primary Conflicts or Secondary Conflicts occur Newton has decided to manage this conflict by instructing an independent fiduciary to provide Newton with instructions on how to vote. In the situation where the independent fiduciary (ISS) is also conflicted, we would abstain from voting. Newton meets with ISS on a periodic basis and as part of this meeting discusses ISS' conflicts of interests.

We are also subject to the policies and decisions of BNY Mellon's Proxy Conflicts Committee (the "PCC"). Among other responsibilities, BNY Mellon has empowered the PCC to maintain, interpret and effect the BNYM Policy. If a Voting Firm needs interpretive guidance concerning a Primary Conflict or identifies a Secondary Conflict, the PCC shall review the matter, and (in the case of identified conflicts) determine how best to resolve the conflict (e.g., independent fiduciary, abstention, or mirror voting). In addition to the BNYM PCC Newton has decided to implement its own process for reviewing such conflicts, with material conflicts being reported to the Newton Treating Customers Fairly & Conflicts of Interest Committee.

When an independent fiduciary is engaged, the fiduciary either will vote the involved proxy, or provide us with instructions as to how to vote such proxy. In the latter case, we will vote the proxy in accordance with the independent fiduciary's determination.

Newton does not lend securities, however, if a client has decided to participate in a securities lending programme, we may be unable to monitor loaned securities or recall/restrict securities from being loaned. In such cases, we will be unable to exercise the voting rights attached to any loaned securities.

Where we plan to vote against management on an issue, we may engage with the company in order to provide an opportunity for our concerns to be allayed. In such situations, it would not be a surprise to the company should we vote against management. We only communicate our voting intentions ahead of the meeting directly to the company and not to third parties. We may also advise management of how we have voted after the meeting should we consider such engagement to be useful in an effort to avoid a repeat situation and ultimately an improvement at the company.

Newton's approach to responsible investment, which extends to the exercise of voting rights, has been formulated and approved by Newton's Responsible and Ethical Investment Oversight Group. Newton's Responsible Investment Policies and Principles document can be found on our website. Also on the Firm's website are Responsible Investment quarterly reports that contain information relating to Newton's stewardship activities, which includes all voting action undertaken during the quarter.

## **ITEM 18. FINANCIAL INFORMATION**

In certain circumstances, registered investment advisers are required to provide you with financial information or disclosures about their financial condition in this Item. Newton has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has never been the subject of a bankruptcy proceeding.