

# **Boston Management and Research**

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## **Form ADV Part 2A**

March 30, 2021

This Brochure provides information about the qualifications and business practices of Boston Management and Research (BMR). If you have any questions about the contents of this brochure, please contact us at (800) 225-6265 or (617) 482-8260. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Boston Management and Research is an SEC-registered investment adviser. This registration does not imply a certain level of skill or training. Additional information about Boston Management and Research also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Summary of Material Changes

This Brochure, dated March 30, 2021, is an interim amendment to BMR's annual Brochure dated January 29, 2021. In this summary of material changes, BMR is required to identify material changes made to the annual Brochure. Material changes to the annual Brochure are as follows:

**Item 4** – On March 1, 2021, Morgan Stanley acquired Eaton Vance Corp. and its subsidiaries, including BMR (the Morgan Stanley Acquisition). BMR is now an indirect wholly-owned subsidiary of Morgan Stanley and is part of Morgan Stanley Investment Management, the asset management division of Morgan Stanley.

**Item 5** – Disclosures have been added to reflect that it is anticipated that BMR will enter into revenue sharing and cross-marketing arrangements with Morgan Stanley affiliates.

**Item 8** – A risk disclosure relating to the Volcker Rule has been added. In addition, Item 8 has been updated to disclose that it is anticipated that BMR and Morgan Stanley Investment Management Inc. ("MSIM") investment personnel will collaborate together, including sharing research.

**Item 10** – BMR is now affiliated with Morgan Stanley entities. The most material new affiliations are Morgan Stanley Investment Management Inc., Morgan Stanley & Co. LLC, and Morgan Stanley Smith Barney LLC. Item 10 has been updated to add other affiliated entities resulting from the Morgan Stanley Acquisition, including other registered investment advisers, broker-dealers, and electronic communication networks and alternative trading systems. In addition, Item 10 has been updated to only reflect affiliations which are material to BMR and its clients.

**Item 11** – As a result of the Morgan Stanley Acquisition, BMR is now subject to additional conflicts of interest and limitations on its ability to trade with Morgan Stanley affiliates. Updates to Item 11 include:

- Morgan Stanley Securities. BMR will generally not transact in equity and debt issued by Morgan Stanley and certain affiliates.
- Transactions with Affiliated Broker-Dealers. To the extent BMR enters into a transaction in securities or other instruments with an affiliated broker-dealer, BMR is subject to its duty to seek best execution on client transactions, its policies and procedures regarding such transactions, and BMR will comply with all applicable regulation, provide any required disclosure to clients, and if applicable, obtain client consent for such transactions.

*Principal Transactions:* BMR will provide disclosures to, and obtain consent from, clients for transactions where an affiliated broker-dealer acts on a principal basis. Generally, BMR will only recommend such a transaction if it believes the net price obtained is at least as favorable as could have been obtained elsewhere.

*Securities Offerings:* Morgan Stanley affiliates act as manager, underwriter, initial purchaser, or placement agent for underwritings and other public and private offerings of securities. BMR must make disclosures and obtain client consent to enter into such transactions. In addition, BMR affiliates may be a member or manager of a syndicate or selling group in such transactions. In situations where BMR enters into a transaction with another member of such group, BMR's affiliates can still benefit. To the extent BMR is prohibited by client direction or applicable law, rule or regulation, BMR will be unable to participate in new issuances, initial public offerings, or other public or private offerings of securities involving an affiliate, or where an affiliate is a member or manager of such group.

*Agency Transactions:* Subject to client consent and applicable law, rule or regulation, BMR will enter into transactions where an affiliated broker-dealer acts on an agency basis, including in transactions in over-the-counter securities. The affiliated broker-dealer will act as agent in connection with the purchase and sale of securities from other market participants and the affiliated broker-dealer will generally charge a commission on such transactions.

*Agency Cross Transactions:* BMR will, from time to time, subject to applicable law, regulation and disclosure and consent requirements, enter into transactions for clients where an affiliated broker-dealer acts as agent for both the buyer and seller in the transaction. The affiliated broker-dealer may receive commissions from both the buyer and seller in the transaction, and BMR may have conflicting divisions of loyalties and responsibilities to the participating parties.

*Clearing Facilities:* BMR may execute transactions with non-affiliates who do not have their own clearing facilities and who utilize an BMR affiliate for clearing. In such instances, the affiliate will receive a clearing fee.

*ERISA Considerations:* BMR is subject to additional restrictions on transactions with affiliated broker-dealers for its clients for which BMR is a “fiduciary” under the Employee Retirement Income Security Act of 1974, as amended. BMR will comply with any exemptions issued by the U.S. Department of Labor and will generally have to obtain approval from an independent fiduciary for such clients.

- Investment Banking Activities. Morgan Stanley participates in investment banking activities and advises its clients on a variety of merger, acquisitions, and financing transactions. These activities may compete with or conflict with BMR clients. Such conflicts include, but are not limited to: Morgan Stanley providing advice or recommendations to its clients which differ from advice BMR provides; Morgan Stanley advising a competitor of an issuer held in a BMR client’s account; and Morgan Stanley advising an issuer on an event, such as a bankruptcy which may conflict with the best interest of a BMR client. From time to time, BMR may be restricted from entering into certain types of transaction when Morgan Stanley is engaged in certain underwriting or other distributions of securities of a company. Morgan Stanley will also, from time to time, come into possession of material non-public information (MNPI). BMR has implemented information barriers with certain affiliates to minimize the impact to its clients if a separate division of Morgan Stanley has MNPI. BMR believes it would be inadvisable to exclude companies for which a Morgan Stanley affiliate is performing investment banking activities, and as such will hold such companies in client accounts unless advised otherwise by a client.
- Investment Limits. BMR has expanded its disclosures regarding investment limits. Various federal, state, and foreign laws, regulations, and rules, along with issuer specific restrictions limit the percentage of a position BMR and its affiliates may take in an issuers securities. In some cases, BMR is required to aggregate its positions with its affiliates. As such, BMR may not be able to enter into certain desired transactions if a limit could be exceeded.
- Investment Management Activities. BMR has expanded its disclosures related actual and potential conflicts of interest of its investment management affiliates. Such conflicts include affiliates managing long and short portfolios which could impact the price of securities held in a BMR client’s account, BMR and its affiliates investing in the same or similar securities, BMR and its affiliates giving advice or taking action which is not given, or is different from, advice or action for other clients. In addition, BMR clients may hold different classes of an issuers securities. In such a case, BMR or its affiliates may advise or take action for a client which could disadvantage a client holding a different class of securities. Updates have been made to disclose potential conflicts of interest created from collaboration between investment personnel from BMR and MSIM. Potential conflicts include one investment department trading ahead of the other, one investment department taking a different positions or views than the other, or investment departments engaging in similar transactions as each other.
- General Process with Conflicts of Interest. BMR has adopted policies and procedures and controls designed to ensure BMR complies with its fiduciary duty to clients and to seek to ensure potential or actual conflicts of interest are resolved taking into account the overriding best interest of clients. In addition, laws, rules and regulations impose certain requirements on BMR designed to decrease the possibility of conflicts of interest between BMR and its clients.

**Item 15** – BMR has added language to disclose that it is deemed to have custody over a client’s assets when

such client custodies its assets at Morgan Stanley Smith Barney LLC, an affiliate of BMR.

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## Item 4 - Advisory Business

Boston Management and Research (“BMR”) is a leading provider of investment advice to mutual funds and other pooled investment vehicles. BMR and its predecessor organizations have been providing investment advice since 1924. As of October 31, 2020, BMR and its affiliates manage a total of \$515.7 billion in client assets. Of this amount, BMR manages \$98.6 billion in client assets, all of which is managed on a discretionary basis.

Prior to March 1, 2021, BMR was a wholly-owned subsidiary of Eaton Vance Corp. On March 1, 2021, Morgan Stanley acquired Eaton Vance Corp. and its subsidiaries, including BMR. BMR is now a wholly-owned indirect subsidiary of Morgan Stanley, a publicly held company that is traded on the New York Stock Exchange (NYSE) under the ticker symbol MS. BMR is majority owned by Eaton Vance Management (“EVM”).

BMR offers advisory services in a variety of equity, income, mixed-asset and alternative strategies. BMR’s evaluation of investment alternatives generally places primary emphasis and reliance upon fundamental analysis of issuers of equity and debt securities; political, economic, and industry developments; money and capital market conditions, with attention to interest rate patterns; and any other factors that, in BMR’s judgment, may have an impact on the value of an investment.

BMR is registered with the Commodity Futures Trading Commission (“CFTC”) as a commodity pool operator (“CPO”).

BMR is investment adviser (or sub-adviser) to private and public pooled investment vehicles (“EV Registered Funds”) registered pursuant to the Investment Company Act of 1940, as amended (“Investment Company Act”). The EV Registered Funds also include exchange traded managed funds advised by affiliates under the NextShares® brand. In addition, BMR and its affiliates are sponsors, investment advisers, and sub-advisers to various other types of pooled investment vehicles, including private funds exempt from registration under the Investment Company Act pursuant to Section 3(c)(7), UCITS and QIAIF funds registered in foreign jurisdictions, and collective investment trusts (“CITs”) and collective trust funds (“CTFs”) exempt from registration under 3(c)(11) (collectively the “EV Funds”, and together with the EV Registered Funds, the “Funds”). Each Fund is managed in accordance with its respective investment objectives, strategies and restrictions as approved by the respective Fund Board of Trustees or other governing body, as applicable. See *Item 10 - Other Financial Industry Activities and Affiliations* below for additional details regarding affiliates of BMR. BMR does not advise separate account clients.

## Item 5 - Fees and Compensation

The investment advisory services provided by BMR to the Funds and the fee schedules for such services generally are described in each Fund's current disclosure documents filed with the Securities and Exchange Commission or offering document, as applicable. Below are the standard fee schedules for the Funds. Existing clients of BMR may have different fee arrangements from those stated below.

Generally, the annual investment advisory fee for a Fund is computed as a percentage of the value of the assets in the portfolio and may differ among individual portfolios. Funds with a master-feeder or fund-of-funds structure may incur an advisory fee on the portion of Fund assets invested directly in securities. In addition, certain portfolios may be charged a percentage of the gross income of the portfolio (income other than gains from the sale of portfolio securities). Fees charged to Funds may be subject to a breakpoint schedule (as disclosed in each Fund's registration statement or other offering document) whereby the percentage fee rate charged generally decreases as portfolio assets increase. Fees generally are paid monthly in arrears based upon the average daily net assets of the Fund during the month. Set forth below are the fee rates (or range of fee rates) that may be charged to Funds by BMR. As noted above, the fee rate may be subject to reductions at higher asset levels.

<b>Investment Strategy</b>	<b>Fee Schedule</b>
Tax-Managed Equity Portfolios	0.60% to 1.00% of average net assets
Domestic Equity Portfolios	0.60% to 1.00% of average net assets
Global Equity Portfolios	0.75% to 1.00% of average daily net assets
Taxable Income Portfolios	0.275% to 0.3% of average net assets plus 2.75% to 3% of gross income; or 0.50% to 0.75% of average net assets; or 0.50% of average gross assets; or 0.85% of average weekly gross assets
Municipal Income Portfolios	0.10% to 0.35% of average net assets plus 1% to 3.5% of gross income; or 0.45% or 0.60% of average net assets
Privately Offered Portfolios	<ul style="list-style-type: none"><li>• 0.60% to 0.70% of average gross assets or a net sum calculated pursuant to the respective offering document for certain portfolios</li></ul>

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

Special requirements or circumstances may result in different fee arrangements than those stated above for certain clients. For example, additional reporting, investment policy or risk management consulting, legal research, or additional investment administrative services required or requested by some clients may lead to higher fees. Individual fee arrangements are negotiated with each client separately (including board review and approval, if applicable). Subject to applicable laws and regulations, BMR retains complete discretion over the fees that it charges to clients and may change the foregoing fee schedules at any time. A fee schedule may differ in different geographic regions outside the United States for certain investment approaches

In addition to asset based investment advisory fees and fees based on a percentage of portfolio income, BMR may agree to provide investment advisory services to be compensated in part on a comparative performance or incentive basis. Any applicable performance or incentive fee arrangement will comply with the requirements of Section 205 and Rule 205-3 of the Investment Advisers Act of 1940, as amended.

BMR's fees are generally exclusive of brokerage commissions, transaction fees, and other related costs and expenses, but in certain cases, BMR or an affiliate may agree to cap such expenses and BMR or an affiliate will reimburse the fund for any expenses in excess of such cap. Such expenses will be assessed to the client. Clients may incur certain charges imposed by custodians, broker-dealers and other third-parties, including but not limited to: fees charged by third-party managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, withholding fees, country tax or delivery fees, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

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

Typically, the standard form investment advisory contract between BMR and the EV Funds provides for automatic termination upon assignment or termination after 60 days prior written notice.



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

### **Performance Based Fees**

In addition to the asset based fees described above, BMR can charge certain qualified clients a performance based fee. The amount of a performance based fee can vary depending on the performance of the applicable Fund or account relative to a particular benchmark return. BMR structures any performance or incentive-based fee arrangement to be compliant with Section 205(a) (1) of the Advisers Act and in accordance with the exemptions available thereunder, including the exemption set forth in Rule 205-3. In measuring a client's assets for the calculation of performance-based fees, BMR shall include realized and unrealized capital gains and losses.

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

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

BMR provides investment advisory services within the same strategies through various investment vehicles, such as separately managed accounts or Funds. This gives rise to potential conflicts of interest since BMR has an incentive to favor certain accounts over others. Examples of conflicts include:

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

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

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

## **Item 7 - Types of Clients**

BMR currently provides investment advisory services only to registered investment companies and private funds.

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

### **Methods of Analysis**

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

In developing information for use in making investment decisions and recommendations for clients, BMR places importance on personal visits with company management by members of its research staff, in the case of issuers of equity and corporate debt securities, and with industry representatives and governmental officials where appropriate. BMR also uses various standard databases available to institutional investors. BMR may utilize other sources of information, such as on-line services and financial database services. Ultimately, primary attention and reliance is placed upon evaluations and recommendations generated internally by the BMR research and investment staff and any affiliates.

Although BMR considers ratings issued by rating agencies, it also may perform its own credit and investment analysis and may not rely primarily on the ratings assigned by the rating services. Credit ratings are based largely on the issuer's historical financial condition and the rating agency's investment analysis at the time of rating, and the rating assigned to any particular security is not necessarily a reflection of the issuer's current financial condition. In general, the rating assigned to a security by a rating agency does not reflect assessment of the volatility of the security's market value or of the liquidity of an investment in the security.

With regard to evaluation of interests in bank loans, BMR considers various criteria relating to the creditworthiness of the borrower. BMR may perform its own independent credit analysis of the borrower in addition to utilizing information prepared and supplied to the investors in the loans. Such analysis may include an evaluation of the industry and business of the borrower, the management and financial statements of the borrower, if available, and the particular terms of the loan and interest which might be acquired. Such analysis generally continues on an ongoing basis for any loan interest purchased and held on behalf of a client.

Subject to and consistent with the individual investment objectives of clients, BMR generally seeks to achieve above-average long-term investment results for its clients through emphasis on equity or debt instruments judged by BMR to have unrecognized value or investment potential. Although BMR always attempts to retain sufficient portfolio flexibility to react to abrupt changes in securities markets, investment decisions and recommendations for clients are generally made with a long-term outlook and with a perspective for capital preservation. In managing investment portfolios, BMR directs considerable attention to the overall composition of the portfolio in order to seek to provide proper portfolio balance and diversification, and thus reduce risk.

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

dividend capture trading strategy for certain strategies and accounts where a stock is sold on or shortly after its ex-dividend date with the sale proceeds used to purchase one or more other stocks before the next dividend payment on the stock sold.

For certain strategies and accounts, BMR employs a tax-managed strategy for tax-efficient management of accounts, which would include some or all of the following: generally maintaining low portfolio turnover of securities with appreciated capital gains; investing in primarily lower yielding securities and/or securities paying dividends that qualify for federal income taxation at long-term capital gain rates; attempting to avoid net realized short-term capital gains and fully taxable investment income in excess of Fund expenses; when appropriate, selling securities trading at below tax cost to realize losses; in selling securities, selecting the most tax-favored share lots; and selectively using tax-advantaged hedging techniques as an alternative to taxable sales. In certain accounts and strategies, BMR enters into derivative transactions to help manage security specific and/or overall risk or to gain or reduce investment exposure on behalf of clients. The derivative instruments typically used by BMR include listed, FLEX and over-the-counter options, over-the-counter prepaid forward sale agreements, futures contracts, swaps, structured notes, and other structured derivative transactions.

As BMR integrates into the Morgan Stanley Investment Management division, it is anticipated that BMR and Morgan Stanley Investment Management Inc. (“MSIM”) investment personnel will collaborate together and utilize each other’s resources, including sharing of research. See *Item 11* for information regarding potential conflicts of interest which can arise from the collaboration of investment departments.

## **Investment Strategies**

BMR offers a variety of investment strategies to address the particular investment objectives of its clients. In pursuing these strategies, BMR invests in a wide range of financial instruments and asset classes. Listed below are four broad categories of investment strategies offered by BMR and a general description of the investment approaches and material risks associated with each.

The lines between these categories are not distinct; while a particular investment strategy may fall primarily into one of the categories listed below, it may also involve some of the investment approaches or exhibit some of the risks associated with other categories. In addition, certain investment strategies involve a combination of multiple other strategies. BMR recognizes that no single type of investment strategy will ensure rewarding investment results in every political, economic and market environment. Investing in securities and other financial instruments involves a risk of loss (which may be substantial) that clients should be prepared to bear.

The investment approaches and material risks described below for each investment strategy are not comprehensive. A particular investment strategy may involve additional investment selection criteria and be subject to additional risks not described below. The principal investment strategies and associated risks for the Funds are disclosed in the offering documents for such Funds.

*Equity Strategies.* BMR offers a wide range of equity strategies, which may focus on equity securities of a particular style, market capitalization, geographic region and/or market sector. Many equity strategies involve a combination of these approaches. Some equity strategies also feature a

tax-management focus, in which BMR seeks to maximize the tax efficiency of the portfolio. Other equity strategies concentrate investments in the securities of a limited number of issuers.

Style focused equity strategies include growth, value, core (or style-neutral) and dividend income. Growth strategies seek companies with earnings growth potential, while value strategies seek companies whose securities are trading at below market valuations. Core strategies invest in a blend of growth and value securities. Dividend income strategies seek companies that provide attractive dividend payments to shareholders.

Market capitalization equity strategies focus on securities of large-cap, mid-cap or small-cap companies, or a combination of small-cap and mid-cap companies (smid-cap). A large-cap approach typically invests in securities of companies that are among the 500 largest companies by market capitalization in a particular market. A mid-cap approach typically invests in securities of the 1,000 largest companies by market capitalization, excluding the 200 largest companies. A small-cap (or smid-cap) approach typically invests in securities of companies that are among the 3,000 largest companies by market capitalization, excluding the 500-1,000 largest companies. The exact capitalization range for each approach may vary depending on the particular strategy.

Geographic equity strategies focus on companies located in a particular country, such as the United States, China or India, or a particular region, such as Asia. Geographic equity strategies may also focus on companies located in countries with either developed economies or developing economies (also known as emerging markets).

Sector equity strategies focus on companies operating in a particular industry (such as public utilities) or engaged in similar or related businesses (such as health sciences).

Focused equity strategies typically follow one or more of the equity approaches described above, but hold larger positions in a smaller number of companies than most other equity strategies.

Equity strategies may employ derivative strategies to achieve exposures, to enhance returns or for hedging purposes.

*Income Strategies.* Income strategies may focus on maintaining a portfolio of debt securities or other instruments that pay either a fixed or a floating rate of interest. Other income strategies focus on debt securities that provide tax-advantaged interest payments, such as municipal bonds. Some income strategies focus on debt securities of either short or long duration or on debt securities of a particular credit quality, such as investment grade or below investment grade bonds. Other income strategies are designed to seek preservation of principal while providing sufficient liquidity and maximizing current income. Income strategies may also focus on debt securities issued by the United States government or debt securities issued by foreign governments or denominated and paying interest in foreign currencies. Income strategies may employ derivative strategies to achieve exposures, to enhance returns or for hedging purposes.

*Mixed-Asset Strategies.* Mixed-asset strategies typically have broad discretion to invest in many of the equity or income strategies described above. A mixed-asset strategy may change its allocation between equity and debt securities, or among particular equity or income approaches, depending on economic and market conditions. Mixed-asset strategies may employ derivative

strategies to achieve exposures, to enhance returns or for hedging purposes.

Because mixed-asset strategies invest in a variety of equity and debt securities, they may be subject to any of the material risks listed above for equity and income strategies. Not all of these risks apply to each mixed-asset strategy. The specific risks associated with a mixed-asset strategy may change over time and depend on its allocation among particular equity and income investment approaches. The specific risks associated with a mixed-asset strategy also depend on the extent to which the strategy employs certain portfolio management techniques or invests in financial instruments other than equity and debt securities. For a summary of each risk, see *Summary of Material Risks* below.

*Alternative Strategies.* Alternative strategies encompass a broad range of investment approaches, including absolute return strategies, real estate strategies, commodity strategies and option strategies. Unlike relative investment strategies, which typically seek to outperform a particular securities benchmark, absolute return strategies typically seek to maintain a target portfolio duration and annualized volatility or to generate a return in excess of short-term cash instruments. Absolute return strategies are generally unconstrained by a benchmark and their return is substantially independent of longer term movements in the stock and bond markets. Absolute return strategies may invest in a wide range of instruments, including equities, debt, commodities, currencies and derivatives. Real estate strategies may invest in physical real estate, real estate investment trusts and equity securities of operating companies engaged in the real estate industry. Commodity strategies invest primarily in instruments that provide exposure to commodities or the commodities market (including commodity based derivatives and/or companies involved in the mining or production of commodities). Commodity strategies typically are backed by a portfolio of fixed income securities. Option strategies involve the use of equity options in conjunction with an actively managed equity portfolio in order to reduce the volatility and risk associated with the equity markets.

## **Summary of Material Risks**

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

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

**Additional Risks of Loans.** Loans are traded in a private, unregulated inter-dealer or inter-bank resale market and are generally subject to contractual restrictions that must be satisfied before a

loan can be bought or sold. These restrictions may impede the client portfolio's ability to buy or sell loans (thus affecting their liquidity) and may negatively impact the transaction price. See also "Market Risk". It also may take longer than seven days for transactions in loans to settle. Due to the possibility of an extended loan settlement process, an investor that holds loan may hold cash, sell investments or temporarily borrow from banks or other lenders to meet short-term liquidity needs, such as to satisfy redemption requests from fund shareholders. The types of covenants included in loan agreements generally vary depending on market conditions, the creditworthiness of the issuer, the nature of the collateral securing the loan and possibly other factors. Loans with fewer covenants that restrict activities of the borrower may provide the borrower with more flexibility to take actions that may be detrimental to the loan holders and provide fewer investor protections in the event of such actions or if covenants are breached. The client portfolio may experience relatively greater realized or unrealized losses or delays and expense in enforcing its rights with respect to loans with fewer restrictive covenants. Loans to entities located outside of the U.S. may have substantially different lender protections and covenants as compared to loans to U.S. entities and may involve greater risks. An investor that holds loan may have difficulties and incur expense enforcing its rights with respect to non-U.S. loans and such loans could be subject to bankruptcy laws that are materially different than in the U.S. Loans may be structured such that they are not securities under securities law, and in the event of fraud or misrepresentation by a borrower, lenders may not have the protection of the anti-fraud provisions of the federal securities laws. Loans are also subject to risks associated with other types of income investments, including credit risk and risks of lower rated investments.

**Allocation and Position Limits Risk.** A client account's performance depends upon how its assets are allocated and reallocated, and an investor could lose money as a result of these allocation decisions and related constraints. As described in *Item 12 – Brokerage Practices*, BMR may be subject, by applicable regulation or issuer limitations, to restrictions on the percentage of an issuer which may be held. For purposes of calculating positions, BMR may have to aggregate its positions with those of its affiliates. In such situations, BMR may be limited in its ability to purchase further securities for its clients, even if the applicable position limits is not exceeded by positions BMR has purchased on behalf of its clients. In addition, the CFTC and the exchanges on which commodity interests (futures, options on futures and swaps) are traded may impose limitations governing the maximum number of positions on the same side of the market and involving the same underlying instrument that may be held by a single investor or group of related investors, whether acting alone or in concert with others (regardless of whether such contracts are held on the same or different exchanges or held or written in one or more accounts or through one or more brokers). A portfolio manager may trade for multiple accounts and the commodity interest positions of all such accounts will generally be required to be aggregated for purposes of determining compliance with position limits, position reporting and position "accountability" rules imposed by the CFTC or the various exchanges. Swaps positions in physical commodity swaps that are "economically equivalent" to futures and options on futures held by an account and similar accounts may also in the future be included in determining compliance with federal position rules, and the exchanges may impose their own rules covering these and other types of swaps. These trading and position limits, and any aggregation requirement, could materially limit the commodity interest positions the portfolio manager may take for an account and may cause the portfolio manager to close out an account's positions earlier than it might otherwise choose to do so.

**Business Continuity Risk.** BMR has developed a Business Continuity Program (the "BC



Program”) that is designed to minimize the impact of adverse events that affect BMR’s ability to carry on normal business operations. Such adverse events include, but are not limited to, natural disasters, outbreaks of pandemic and epidemic diseases (such as the current COVID-19 pandemic), terrorism, acts of governments, any act of declared or undeclared war, power shortages or failures, utility or communication failure or delays, shortages, and system failures or malfunctions. While BMR believes the BC Program should allow it to resume normal business operations in a timely manner following an adverse event, there are inherent limitations in such programs, including the possibility that the BC Program does not anticipate all contingencies or procedures do not work as intended. Vendors and service providers to BMR may also be affected by adverse events and are subject to the same risks that their respective business continuity plans do not cover all contingencies. In the event the BC Program at BMR or similar programs at vendors and service providers do not adequately address all contingencies, client portfolios may be negatively affected as there may be an inability to process transactions, calculate net asset values, value client investments, or disruptions to trading in client accounts. A client’s ability to recover any losses or expenses it incurs as a result of a disruption of business operations may be limited by the liability, standard of care, and related provisions in its contractual agreements with BMR and other service providers.

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

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

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

**Convertible and Other Hybrid Securities Risk.** Convertible and other hybrid securities (including preferred and convertible instruments) generally possess certain characteristics of both

equity and debt securities. In addition to risks associated with investing in income securities, such as interest rate and credit risks, hybrid securities may be subject to issuer-specific and market risks generally applicable to equity securities. Convertible securities may also react to changes in the value of the common stock into which they convert, and are thus subject to equity investing and market risks. A convertible security may be converted at an inopportune time, which may decrease a client's return.

**Corporate Debt Risk.** Corporate debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. When interest rates rise, the value of corporate debt securities can be expected to decline. Debt securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities. Company defaults can impact the level of returns generated by corporate debt securities. An unexpected default can reduce income and the capital value of a corporate debt security. Furthermore, market expectations regarding economic conditions and the likely number of corporate defaults may impact the value of corporate debt securities.

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

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

**Currency Risk.** In general, the value of investments in, or denominated in, foreign currencies increases when the U.S. dollar is weak (i.e., is losing value relative to foreign currencies) or when

foreign currencies are strong (i.e., are gaining value relative to the U.S. dollar). When foreign currencies are weak or the U.S. dollar is strong, such investments generally will decrease in value. The value of foreign currencies as measured in U.S. dollars may be unpredictably affected by changes in foreign currency rates and exchange control regulations, application of foreign tax laws (including withholding tax), governmental administration of economic or monetary policies (in the U.S. or abroad), intervention (or the failure to intervene) by U.S. or foreign governments or central banks, and relations between nations. A devaluation of a currency by a country's government or banking authority will have a significant impact on the value of any investments denominated in that currency. Currency markets generally are not as regulated as securities markets and currency transactions are subject to settlement, custodial and other operational risks. Exposure to foreign currencies through derivative instruments will also be subject to the Derivatives Risks described below.

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

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

BMR uses third party service providers who are also heavily dependent on computers and technology for their operations. Cybersecurity failures or breaches by BMR's affiliates, other service providers and the issuers of securities in which BMR invests on behalf of clients, may disrupt and otherwise adversely affect their business operations. This may result in financial losses to BMR or clients or cause violations of applicable privacy and other laws, regulatory fines,

penalties, reputational damage, reimbursement or other compensation costs, litigation costs, or additional compliance costs. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. While BMR and many of its service providers have established business continuity plans and risk management systems intended to identify and mitigate cyber-attacks, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. BMR cannot control the cybersecurity plans and systems put in place by service providers and issuers in which BMR invests on behalf of clients. BMR and clients could be negatively impacted as a result.

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

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

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

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

**Duration Risk.** Duration measures the expected life of a fixed-income security, which can determine its sensitivity to changes in the general level of interest rates. Securities with longer durations tend to be more sensitive to interest rate changes than securities with shorter durations. A portfolio with a longer dollar-weighted average duration can be expected to be more sensitive to interest rate changes than a portfolio with a shorter dollar-weighted average duration. Duration differs from maturity in that it considers a security's coupon payments in addition to the amount of time until the security matures. As the value of a security changes over time, so will its duration.

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

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

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

**European Economic and Market Events.** In June 2016, the United Kingdom approved a referendum to leave the European Union (“Brexit”). There is significant market uncertainty regarding Brexit’s ramifications, and the range and potential implications of possible political, regulatory, economic, and market outcomes are difficult to predict. Political events, including nationalist unrest in Europe and uncertainties surrounding the sovereign debt of a number of European Union (“EU”) countries and the viability of the EU itself, also may cause market disruptions. If one or more countries leave the EU or the EU dissolves, the world’s securities markets likely will be significantly disrupted. Moreover, the uncertainty about the ramifications of Brexit may cause significant volatility and/or declines in the value of the Euro and British pound. In December 2019, the United Kingdom passed a withdrawal agreement that, upon final approval from Parliament, calls for the United Kingdom to withdraw from the EU on January 31, 2020. Following the United Kingdom’s withdrawal at the end of January, the United Kingdom will enter into an 11-month transition period during which it will cease to be a member of the EU but continue to follow EU rules and contribute to its budget. The UK ceased to be a member of the EU after December 31, 2020. The EU and UK agreed to a bare-bones trade deal prior to the UK’s exit from the EU, although many terms of this deal have yet to be decided. The uncertainty around the terms of the trade deal may cause greater market volatility and illiquidity, currency fluctuations, deterioration in economic activity, a decrease in business confidence, and increased likelihood of a recession in the United Kingdom.

**Foreign, Emerging and Frontier Markets Risk.** The value of a client portfolio may be adversely affected by changes in currency exchange rates and political and economic developments across multiple borders. In emerging or less developed countries, these risks can be more significant than in major markets in developed countries. In many emerging markets there is significantly less publicly available information about domestic companies due to differences in applicable regulatory, accounting, auditing, and financial reporting and recordkeeping standards. In addition, in some jurisdictions, foreign investments may be made through organizational structures that are necessary to address restrictions on foreign investments. These structures may limit investor rights and recourse. More generally, there may be limited corporate governance standards and avenues of recourse as compared to U.S. companies. Additionally, shareholder claims that are common in the U.S. and are generally viewed as deterring misconduct, including class action securities law and fraud claims, frequently are difficult or impossible to pursue as a matter of law or practicality in many emerging markets. Furthermore, lack of relevant data and reliable public information about portfolio companies in emerging markets can contribute to incorrect weightings and data and computational errors when an index provider selects companies for inclusion in an index. Generally, investment markets in emerging and frontier countries are substantially smaller, less liquid and more volatile, and as a result, the value of a portfolio investing in emerging or frontier markets may be more volatile. Emerging and frontier market investments often are subject to speculative trading, which typically contributes to volatility. Emerging and frontier market countries also may have relatively unstable governments and economies. Trading in foreign, emerging and frontier markets usually involves higher expenses than trading in the U.S. A client portfolio investing in these markets may have difficulties enforcing its legal or contractual rights in a foreign country. Depositary receipts are subject to many of the risks associated with investing directly in foreign securities, including political and economic risks. While American Depositary Receipts (ADRs) are denominated in U.S. dollars, they are still subject to currency exchange rate risks. ADRs are traded on U.S. market hours which do not match the local markets. Due to this,

ADR prices are also subject to exchange rate fluctuations and market information outside of local market hours.

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

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

**Hedge Correlation Risk.** Certain strategies seek to maintain substantially offsetting exposures and follow a generally market-neutral approach. Hedging instruments utilized for these strategies may not maintain the intended correlation to the investment being hedged or may otherwise fail to achieve their intended purpose. Failure of the hedge instruments to track a client portfolio's investments could result in the client portfolio having substantial residual exposure to market risk.

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

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

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

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

**Leverage Risk.** Certain types of investment transactions may give rise to a form of leverage. Such transactions may include, among others, borrowing, the use of when-issued, delayed delivery or forward commitment transactions, residual interest bonds, short sales and certain derivative transactions. A client portfolio may be required to segregate liquid assets or otherwise cover the portfolio’s obligation created by a transaction that may give rise to leverage. To satisfy the portfolio’s obligations or to meet segregation requirements, portfolio positions may be required to be liquidated when it is not advantageous to do so. Leverage and borrowing can cause the value of a client portfolio to be more volatile than if it had not been leveraged, as certain types of leverage may exaggerate the effect of any increase or decrease in the value of securities in a client portfolio. Leverage and borrowing may lead to additional costs to clients, including interests, fees, and other related investors. Losses on leveraged transactions can substantially exceed the initial investment.

**LIBOR Risk.** Certain financial instruments (such as debt instruments and derivatives) use the London Interbank Offered Rate (LIBOR) as a ‘reference’ or ‘benchmark’ rate. LIBOR is the average offered rate for various maturities of short-term loans between certain major international banks. LIBOR is expected to be phased out by the end of 2021. Although the transition process away from LIBOR is expected to be well-defined in advance of the anticipated discontinuation, there remains uncertainty regarding the future utilization of LIBOR and the nature of any replacement rate or rates. The transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that currently rely on LIBOR. The transition may also result in a change in (i) the value of certain instruments held by the Fund, (ii) the cost of borrowing for investors, or (iii) the effectiveness of related transactions such as hedges, as applicable. When LIBOR is discontinued, the LIBOR replacement rate may be lower than market expectations, which could have an adverse impact on the value of preferred and debt-securities with floating or fixed-to-floating rate coupons. Additionally, while some existing LIBOR-based instruments may contemplate a scenario where LIBOR is no longer available by providing for an alternative or “fallback” rate-setting methodology, there may be significant uncertainty regarding the effectiveness of any such alternative methodologies to replicate LIBOR. Not all existing



LIBOR-based instruments have such fallback provisions, and many that do, do not contemplate the permanent cessation of LIBOR. While it is expected that market participants will amend legacy financial instruments referencing LIBOR to include fallback provisions to alternative reference rates, there remains uncertainty regarding the willingness and ability of parties to add or amend such fallback provisions in legacy instruments maturing after the end of 2021, particularly with respect to legacy cash products. Since the usefulness of LIBOR as a benchmark could deteriorate during the transition period, these effects may occur prior to the discontinuation date. Any such effects of the transition away from LIBOR and the adoption of alternative reference rates, as well as other unforeseen effects, could result in losses to an investor.

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

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

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

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

**Model and Quantitative Risks.** Certain strategies use proprietary and third party quantitative modeling techniques in making investment decisions. Such techniques have not been independently tested or validated, and there can be no assurance that these techniques will achieve the desired results. If these techniques have errors, or are flawed or incomplete and such issues are not identified, it may have an adverse effect client investment performance.

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

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

**Option Strategy Risks.** Certain client portfolios employ an option strategy that seeks to take advantage of a general excess of option price-implied volatilities for a specified stock or index over the stock or index's subsequent realized volatility. This market observation is often attributed

to the unknown risk to which an option seller is exposed to in comparison to the fixed risk to which an option buyer is exposed. There can be no assurance that this imbalance will apply in the future over specific periods or generally. It is possible that the imbalance could decrease or be eliminated by actions of investors that employ strategies seeking to take advantage of the imbalance, which would have an adverse effect on the client portfolio's ability to achieve its investment objective. Further, directional movements of the underlying index or stock may overwhelm the volatility differential for any given option resulting in a loss, regardless of the volatility relationship during that specific option's term. Call spread and put spread selling strategies employed by certain strategies are based on a specified index or on exchange-traded funds that replicate the performance of certain indexes. If the index or an ETF appreciates or depreciates sufficiently over the period to offset the net premium received, the client portfolio will incur a net loss. The amount of potential loss in the event of a sharp market movement is subject to a cap defined by the difference in strike prices between written and purchased call and put options. The value of the specified exchange-traded fund is subject to change as the values of the component securities fluctuate. Also, it may not exactly match the performance of the specified index.

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

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

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

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

from REITs that is available to individuals who invest directly in REITs. Changes in underlying real estate values may have an exaggerated effect to the extent that investments are concentrated in particular geographic regions or property types.

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

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

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

**Risks of Repurchase Agreements and Reverse Repurchase Agreements.** In the event of the insolvency of the counterparty to a repurchase agreement or reverse repurchase agreement, recovery of the repurchase price owed to a client portfolio or, in the case of a reverse repurchase agreement, the securities sold by the client portfolio, may be delayed. In a repurchase agreement, such insolvency may result in a loss to the extent that the value of the purchased securities decreases during the delay or that value has otherwise not been maintained at an amount equal to the repurchase price. In a reverse repurchase agreement, the counterparty's insolvency may result in a loss equal to the amount by which the value of the securities sold by the client portfolio exceeds the repurchase price payable by the client portfolio; if the value of the purchased securities increases during such a delay, that loss may also be increased. When an investor enters into a

reverse repurchase agreement, any fluctuations in the market value of either the securities sold to the counterparty or the securities which the client portfolio purchases with its proceeds from the agreement would affect the value of the portfolio's assets. Because reverse repurchase agreements may be considered to be a form of borrowing by the client portfolio (and a loan from the counterparty), they constitute leverage. If an investor reinvests the proceeds of a reverse repurchase agreement at a rate lower than the cost of the agreement, entering into the agreement will lower the investor's yield.

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

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

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

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

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

prepayments can significantly depress the value of IO Strips, while a rapid or unexpected decrease can have the same effect on PO Strips.

**Structured Management Risk.** BMR uses rules-based, proprietary investment techniques and analyses in making investment decisions. These strategies seek to take advantage of certain quantitative and/or behavioral market characteristics identified by BMR, utilizing rules-based country, sector and commodity weighting processes, structured allocation methodologies and disciplined rebalancing models. These investment strategies have not been independently tested or validated, and there can be no assurance they will achieve the desired results.

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

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

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

**Tax-Straddle Risk.** Investment strategies that utilize off-setting positions on a security or a portfolio of securities must adhere to specific rules and provisions under the Internal Revenue

Code in order to avoid negative tax consequences. These provisions apply to an investor's entire investment portfolio including accounts not managed by BMR. While BMR seeks to avoid "tax straddles", an investor's ability to realize tax benefits (e.g., defer gains, deduct interest, convert short term gains into long term gains) may be negated by transactions and holdings of which BMR is not aware.

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

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

**Volcker Rule:** Section 619 of the Dodd-Frank Act (commonly referred to as the Volcker Rule), along with regulations issued by the Federal Reserve and other U.S. federal financial regulators (Implementing Regulations) generally prohibit "banking entities" (which term includes bank holding companies and their affiliates) from investing in, sponsoring, or having certain types of relationships with, private equity funds or hedge funds (referred to in the Implementing Regulations as covered funds). Banking entities (including Morgan Stanley and its affiliates) were required to bring their activities and investments into conformance with the Volcker Rule by July 21, 2015, subject to certain extensions granted by the U.S. Federal Reserve that allow Morgan Stanley and its affiliates until July 21, 2022 at the latest to bring certain of their covered fund activities and investments into compliance with certain aspects of the Volcker Rule. In addition, it is anticipated that BMR will have a conformance period until March 1, 2023 to bring any non-conforming covered activities into compliance with the Volcker Rule.

The Volcker Rule and the Implementing Regulations impose a number of restrictions on Morgan Stanley and its affiliates that affects us, a covered fund offered by us, the general partner of those funds, and the limited partners of such funds. For example, to sponsor and invest in certain covered funds, Morgan Stanley must comply with the Implementing Regulations' "asset management" exemption to the Volcker Rule's prohibition on sponsoring and investing in covered funds. Under this exemption, the investments made by Morgan Stanley (aggregated with certain affiliate and employee investments in a covered fund must not exceed 3% of the covered fund's outstanding ownership interests and Morgan Stanley's aggregate investment in covered funds does not exceed 3% of Morgan Stanley's Tier I capital. In addition, the Volcker Rule and the Implementing Regulations prohibit Morgan Stanley and its affiliates from entering in certain other transactions (including "covered transactions" as defined in Section 23A of the U.S. Federal Reserve Act, as amended) with or for the benefit of, covered funds that it sponsors or advises. For example, Morgan Stanley may not provide loans, hedging transactions with extensions of credit or other credit support to covered funds it advises. There are limitations on Morgan Stanley and its affiliates, including

BMR's ability to invest in certain assets such as real estate and real assets in covered funds. While we endeavor to minimize the impact on our covered funds and the assets held by them, Morgan Stanley's interests in determining what actions to take in complying with the Volcker Rule and the Implementing Regulations may conflict with BMR's interests and the interests of the private funds, the general partner and the limited partners of the private funds, all of which may be adversely affected by such actions. The foregoing is not an exhaustive discussion of the potential risks the Volcker Rule poses for BMR.

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



## **Item 9 - Disciplinary Information**

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

## Item 10 - Other Financial Industry Activities and Affiliations

BMR is an indirect wholly owned subsidiary of Morgan Stanley, a corporation whose shares are publicly held and traded on the New York Stock Exchange under the symbol “MS”. Morgan Stanley is a financial holding company under the Bank Holding Company Act of 1956, as amended, and has numerous domestic and international subsidiaries. BMR is part of a large global financial services and banking group. As a result, BMR’s clients may have existing relationships with BMR’s affiliates, in addition to relationships directly with BMR. These relationships can cause conflicts of interest. Relationships with affiliates that are material to clients are discussed below.

### **Broker-Dealer Affiliates**

BMR is affiliated with Eaton Vance Distributors, Inc. (EVD), a broker-dealer registered under the Securities Exchange Act of 1934 (34 Act) and the Financial Industry Regulatory Authority (FINRA). EVD is the principal underwriter and distributor of certain Funds. BMR currently does not conduct any brokerage business with EVD. BMR and EVD have entered into a revenue sharing agreement under which BMR compensates EVD with a portion of the advisory fees earned by BMR for certain client accounts. Certain BMR sales personnel are registered representatives of EVD and receive compensation for promoting sales of funds and products of affiliates, including the Funds.

As of March 1, 2021, BMR became affiliated with Morgan Stanley & Co. LLC (MS&Co.), Morgan Stanley Smith Barney LLC (MSSB), and Prime Dealer Services Corp., each a registered broker-dealer under the 34 Act and with FINRA. MSSB is registered with the SEC as an investment adviser. BMR is also affiliated with foreign broker-dealers and financial services companies, including Morgan Stanley & Co. International PLC, Morgan Stanley MUFG Securities Co., Ltd., Morgan Stanley India Company Private Ltd., and Block Interest Discovery System (BIDS) (hereinafter, together with affiliated broker-dealers registered under the 34 Act, collectively referred to as Affiliated Broker-Dealers).

When permitted by applicable law and subject to the considerations set forth in *Item 12 – Brokerage Practices*, Eaton Vance utilizes Affiliated Broker-Dealers to effect portfolio securities, currency exchange, futures, and other transactions for Eaton Vance client accounts. The *Participation or Interest in Client Transactions* subsection in *Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*, describes in greater detail the manner in which Eaton Vance utilizes Affiliated Broker-Dealers to effect client transactions and the conflicts of interest that can arise.

EVD serves as distributor, placement agent and/or underwriter for certain registered and unregistered funds.

### **Commodity Trading Advisor/Commodity Pool Operator Registration**

In addition to its registration with the SEC as an investment adviser under the Investment Advisers Act of 1940, BMR is registered as a Commodity Pool Operator with the Commodity Futures Trading Commission (CFTC) and is a member of the National Futures Association (NFA). Certain management and sales personnel are registered with the NFA as Principals and/or Associated

Persons.

### **Material Arrangements or Relationships with Affiliates**

BMR is part of a group of investment advisers within the Morgan Stanley Investment Management business, including: (1) Eaton Vance Management; (2) Parametric Portfolio Associates LLC (Parametric) (3) Calvert Research and Management (Calvert); (4) Atlanta Capital Management Company, LLC; (5) Eaton Vance Advisers International Ltd. (EVAIL); (6) Eaton Vance Global Advisers Limited (EVGA); (7) Eaton Vance WaterOak Advisers (WaterOak) (8) Mesa West Capital, LLC; (9) Morgan Stanley Investment Management Company; (10) Morgan Stanley Investment Management Limited; (11) Morgan Stanley AIP GP LP; Morgan Stanley Infrastructure, Inc.; (12) Morgan Stanley Private Equity Asia, Inc.; (13) MS Capital Partners Adviser, Inc.; (14) Morgan Stanley Real Estate Advisor, Inc.; (15) MSREF Real Estate Advisor, Inc.; (16) MSREF V, LLC; and (17) MSRESS III Manager, LLC (collectively, Affiliated Advisers).

All employees of BMR are employees of EVM and EVM is responsible for providing certain services such as accounting, finance, human resources, information technology, and legal. BMR has entered into arrangements with affiliates, including EVM, EVAIL, EVGA, Eaton Vance Management (International) Limited, and Eaton Vance Asia Pacific Ltd. under which the entities may use the research and trading services of the others.

EVM has entered into arrangements with affiliates Parametric, Calvert, Atlanta Capital, EVAIL, EVGA, and WaterOak (collectively the “Advisers”) under which EVM provides certain services to such affiliates such as accounting, finance, human resources, information technology and legal. Under such arrangements, certain employees of EVM/BMR are also considered employees of certain of the Advisers. Certain employees of EVM/BMR have also been designated as employees of the Advisers and EVD. The EVM Chief Compliance Officer and, as applicable, the respective Chief Compliance Officers of the Advisers (collectively the “CCOs”) have determined that it is not feasible for these employees to be subject to multiple compliance programs. As such, the CCOs have determined on a case-by-case basis which employees will be subject to which affiliated compliance program, or which specific policies and procedures of EVM/BMR or an affiliate will be applicable to the individual employee. Factors such as which office the employee is located in, what access to information such as research recommendations the employee has access to, and what compliance program the employee has historically been subject to, among other considerations, were considered when making determinations. The CCOs meet regularly to discuss matters affecting these employees and the CCOs are required to promptly report to other CCOs certain events such as material violations of policies and procedures, violations of a code of ethics, and client complaints. In addition, the Advisers serve as subadviser to certain EVM and BMR products, including the Funds. Under such arrangements, EVM or BMR will pay compensation to, or receive compensation from, the Advisers.

BMR is an affiliate of Eaton Vance Trust Company, a limited purpose non-depository trust company organized and operating under the laws of Maine. Eaton Vance Trust Company serves as trustee to common trust funds and collective investment trusts, and offers custody and trusteeships for clients of affiliates of BMR. Certain officers of EVM who are also BMR officers serve as officers of EVTC and provide services to products of EVTC similar to those provided to BMR clients and Funds.

Investment strategies and products of Eaton Vance, certain of the Advisers, and, in the future, Morgan Stanley affiliates are cross-marketed. Eaton Vance works closely with its affiliates to jointly market advisory services and strategic investment strategies to institutional investors and high-net-worth individuals, and refers clients to its affiliates when appropriate. These shared marketing efforts and sales referrals result in intercompany transfers and cost-sharing payments between Eaton Vance and its affiliates.

### **Electronic Communication Networks and Alternative Trading Systems**

BMR's affiliates have ownership interests in and/or board seats on electronic communication networks (ECNs) or other alternative trading systems (ATSs). In certain instances BMR's affiliates may be deemed to control one or more of such ECNs or ATSs based on the level of such ownership interests and whether such affiliates are represented on the board of such ECNs or ATSs. Consistent with its fiduciary obligation to seek best execution, BMR will, from time to time, directly or indirectly, effect client trades through ECNs or other ATSs in which the firm's affiliates have or may acquire an interest or board seat. These affiliates may receive an indirect economic benefit based upon their ownership in the ECNs or other ATSs. BMR will, directly or indirectly, execute through an ECN or other ATSs in which an affiliate has an interest only in situations where the firm or the broker dealer through whom it is accessing the ECN or ATS reasonably believes such transaction will be in the best interest of its clients and the requirements of applicable law have been satisfied. BMR's affiliates may own over 5% of the outstanding voting securities and/or have a member on the board of certain trading systems (or their parent companies), including (i) Euroclear Holding SA/NV(ii) Turquoise Global Holdings Ltd., (iii) MEMX Holdings LLC, and (iv) OTC Deriv.

BMR's affiliates may acquire interests in and/or take board seats on other ECNs or other ATSs (or increase ownership in the ATSs listed above) in the future.

BMR's affiliates receive cash credits from certain ECNs and ATSs for certain orders that provide liquidity to their books. In certain circumstances, such ECNs and ATSs also charge explicit fees for orders that extract liquidity from their books. From time to time, the amount of credits that the firm's affiliates receive from one or more ECN or ATS exceed the amount that is charged. Under these limited circumstances, such payments would constitute payment for order flow.

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

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

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

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

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

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

The Code of Business Conduct and Ethics for Directors, Officers, and Employees is available online at [www.eatonvance.com](http://www.eatonvance.com). You may also obtain a copy of the Code by writing to: Eaton Vance Management, Attn: Legal Dept. – Code of Ethics, Two International Place, Boston, MA 02110.

## **Additional Conflicts of Interest**

Certain Funds are structured as funds of funds and pursue their investment objectives by investing in other investment companies managed by BMR or its affiliates. In such a structure, the fund of funds generally does not charge a management fee except to the extent the fund of funds may directly invest in securities other than other investment companies managed by BMR or its affiliates. Instead, BMR or an affiliate receives a management fee from each of the underlying investment companies in which the fund of funds invests. This structure can create a conflict of interest with respect to the investment allocation of the fund of funds. Because the management fees of the underlying investment companies may differ, BMR may have an incentive to allocate the fund of funds' assets to investment companies that charge a higher management fee. BMR makes such allocation decisions in accordance with the acquiring Fund's investment objectives and policies and the best interests of the acquiring Fund and its shareholders and not because the acquired Fund pays a higher advisory fee.

Certain Funds may invest in ETFs, a type of pooled investment vehicle. Such a Fund will bear the pro rata portion of the operating expenses of any ETF in which it invests.

Certain Funds may invest in a money market fund managed by EVM. Eaton Vance does not currently receive a fee for advisory services provided to the money market fund.

BMR may combine transaction orders placed on behalf of clients, including accounts in which affiliated persons of BMR have an investment interest. Available investment opportunities will be allocated among clients in a manner deemed equitable by BMR. See *Item 12 - Brokerage Practices* below for more information.

## **Participation or Interest in Client Transactions**

The following section addresses our trading activities, the various conflicts of interest that can arise, and how such conflicts have been addressed.

### **Morgan Stanley Securities**

BMR will generally prohibit transactions in securities, including equity and debt, issued by Morgan Stanley and certain of its affiliates.

### **Broker-Dealer Affiliations**

BMR does not act as principal or broker in connection with client transactions. However, when exercising its discretion under an investment management agreement with a client, BMR will, in certain instances, effect transactions in securities or other instruments for a client through Affiliated Broker-Dealers which perform all of the activities set forth below.

In connection with transaction in which Affiliated Broker-Dealers will act as principal, BMR will disclose to the client that the trade will be conducted on a principal basis and obtain the client's consent in accordance with the provisions of and rules under the Advisers Act. BMR will recommend that a client engage in such a transaction only when it believe that the net price for the

security is at least as favorable as could have been obtained from another established dealer in such security.

BMR's recommendations to clients may involve securities in which its Affiliated Broker-Dealers, or their officers, employees or other affiliates, have a financial interest. Affiliated Broker-Dealers and their officers, employees and other affiliates, can purchase or sell for their own accounts securities that BMR recommends to its clients.

If permitted by a client's investment objectives and guidelines, applicable law, and our policies and procedures concerning conflicts of interest, BMR will, from time to time, recommend that the purchase, or use its discretion to effect a purchase of, securities during the existence of an underwriting or other public or private offering of such securities involving an Affiliated Broker-Dealer as a manager, underwriter, initial purchaser, or placement agent. Among other things, BMR must disclose to the client that the transaction involves an affiliate and obtain client consent to execute transactions with an affiliate on behalf of the client's account. Purchases can be from underwriters or placement agents other than an Affiliated Broker-Dealer in distributions in which an Affiliated Broker-Dealer is a manager and/or member of a syndicate or selling group, as a result of which an Affiliated Broker-Dealer will likely benefit from the purchase through receipt of a fee or otherwise. In situations in which a client has not permitted, or where it is prohibited by law, rule or regulation, BMR may be unable to purchase securities for the client account in an initial or other public or private offering of securities involving an Affiliated Broker-Dealer.

With client consent, and subject to the restrictions imposed on such transactions by applicable law, BMR will effect portfolio transactions through an Affiliated Broker-Dealer on an agency basis, including transactions in over-the-counter (OTC) securities, where the Affiliated Broker-Dealer will act as agent in connection with the purchase and sale of OTC securities from market participants and will charge our clients a commission on the transactions. Since these are agency transactions, there is no mark-up or mark-down on the price of the security.

BMR will effect securities transactions through an Affiliated Broker-Dealer when, in its judgment, the client will obtain the best execution of the transaction. Subject to its duty to seek best execution, BMR will, from time to time, effect such transactions through an Affiliated Broker-Dealer even though the total brokerage commission for the transaction is be higher than that which might have been charged by another broker for the same transaction.

### **Agency Cross Transactions**

From time to time, and where permitted by applicable law and the relevant client agreements, BMR will effect "agency cross transactions" in which an Affiliated Broker-Dealer acts as agent for both the buyer and seller in the transaction. BMR will only trade with an Affiliated Broker-Dealer on behalf of a client on an agency cross basis when the client has consented to BMR effecting such transactions. Any agency cross transaction will be effected in compliance with applicable law, as well as policies and procedures BMR has designed to prevent and disclose potential conflicts of interest. The Affiliated Broker-Dealer can receive a commission from the seller and the buyer when it executes transactions on an agency cross basis under certain conditions. In effecting an agency cross transaction, BMR has potentially conflicting divisions of loyalties and responsibilities regarding the parties to the transaction.



BMR, along with related persons of BMR, will effect portfolio transactions through an Affiliated Broker-Dealer on behalf of clients in respect of which BMR is a “fiduciary” as defined in the Employee Retirement Income Security Act of 1974, as amended (ERISA) only on an agency basis and with prior written approval from an independent fiduciary in accordance with the terms of exemptions available from the Department of Labor, as well as in accordance with the restrictions imposed on such transactions by applicable law.

Fixed income instruments typically trade at a bid/ask spread and without an explicit brokerage charge. While there is not a formal trading expense or commission, clients (including wrap fee program clients) will bear the implicit trading costs reflected in these spreads.

BMR is generally permitted to purchase securities on behalf of its ERISA clients from an underwriting or selling syndicate where an Affiliated Broker-Dealer participates as manager, or syndicate members with prior written approval from an independent fiduciary in accordance with the terms of exemptions available from the Department of Labor.

BMR and Affiliated Advisers, from time to time, execute client transactions with broker-dealers that do not have their own clearing facilities and who clear such transactions through an Affiliated Broker-Dealer. In such instances, the Affiliated Broker-Dealer will receive a clearing fee for these transactions.

BMR and its affiliates, in certain circumstances, and where permitted by applicable law, will engage in principal transactions with a CLO that it manages. In such instances, BMR or an affiliate will comply with any disclosure and consent requirements applicable under the Advisers Act.

### **Services to Issuers Activities**

Along with our affiliates, BMR provides a variety of services for, and render advice to, various clients, including issuers of securities that it also recommends for purchase or sale by clients. In the course of providing these services, BMR and its affiliates may come into possession of material, nonpublic information which might affect its ability to buy, sell, or hold a security for a client account. Investment research materials disclose that our related persons may own, and may effect transactions in, securities of companies mentioned in such materials and also may perform or seek to perform investment banking services for those companies. In addition, directors, officers and employees of our affiliates may have board seats and/or have board observer rights with private and/or publicly traded companies in which BMR invests in on behalf of our client accounts. Along with its affiliates, BMR has adopted policies and procedures and created information barriers that are reasonably designed to prevent the flow of any material, nonpublic information regarding these companies between the firm and its affiliates.

### **Investment Banking Activities**

Morgan Stanley advises its clients on a variety of mergers, acquisitions and financing transactions. Morgan Stanley may act as an advisor to clients that may compete with BMR clients and with respect to clients’ investments. In certain instances, Morgan Stanley gives advice and takes action with respect to its clients or proprietary accounts that may differ from the advice BMR provides, or



involves an action of a different timing or nature than the action taken advised by BMR. At times, Morgan Stanley will give advice and provide recommendations to persons competing with BMR clients and/or any of their investments, contrary to the client's best interests and/or the best interests of any of its investments.

Morgan Stanley could be engaged in financial advising, whether on the buy-side or sell-side, or in financing or lending assignments that could result in Morgan Stanley's determining in its discretion or being required to act exclusively on behalf of one or more third parties, which could limit BMR clients' ability to transact with respect to one or more existing or potential investments. Morgan Stanley may have relationships with third-party funds, companies or investors who may have invested in or may look to invest in portfolio companies, and there could be conflicts between BMR's clients' best interests, on the one hand, and the interests of a Morgan Stanley client or counterparty, on the other hand. To the extent that Morgan Stanley advises creditor or debtor companies in the financial restructuring of companies either prior to or after filing for protection under Chapter 11 of the Bankruptcy Code or similar laws in other jurisdictions, BMR's flexibility in making investments in such restructurings on a client's behalf may be limited.

From time to time, different areas of Morgan Stanley will come into possession of MNPI as a result of providing investment banking services to issuers of securities. In an effort to prevent the mishandling of MNPI, Morgan Stanley will, at times, restrict trading of these issuers' securities by BMR and its clients during the period such MNPI is held by Morgan Stanley, which period may be substantial. In instances where trading of an investment is restricted, clients may not be able to purchase or sell such investment, in whole or in part, resulting in BMR clients' inability to participate in certain desirable transactions and/or a lack of liquidity concerning clients' existing portfolio investments. This inability to buy or sell an investment could have an adverse effect on a client's portfolio due to, among other things, changes in an investment's value during the period its trading is restricted. BMR has implemented information barriers with its affiliates in order to minimize the impact of such restrictions on client portfolios.

Morgan Stanley could provide investment banking services to competitors of BMR clients' portfolio companies, as well as to private equity and/or private credit funds, and such activities could present Morgan Stanley with a conflict of interest vis-a-vis a client's investment and also result in a conflict in respect of the allocation of investment banking resources to portfolio companies. To the extent permitted by applicable law, Morgan Stanley can provide a broad range of financial services to companies in which a client invests, including strategic and financial advisory services, interim acquisition financing and other lending and underwriting or placement of securities, and Morgan Stanley generally will be paid fees (that may include warrants or other securities) for such services. Morgan Stanley will not share any of the foregoing interest, fees and other compensation received by it (including, for the avoidance of doubt, amounts received by BMR) with the client, and any advisory fees payable will not be reduced thereby.

Morgan Stanley could be engaged to act as a financial advisor to a company in connection with the sale of such company, or subsidiaries or divisions thereof, may represent potential buyers of businesses through its mergers and acquisition activities and could provide lending and other related financing services in connection with such transactions. Morgan Stanley's compensation for such activities is usually based upon realized consideration and is usually contingent, in substantial part,

upon the closing of the transaction. BMR's clients may be precluded from participating in a transaction with or relating to the company being sold under these circumstances.

BMR believes that the nature and range of clients to whom our Affiliated Broker-Dealers render investment banking and other services is such that it would be inadvisable to exclude these companies from a client's portfolio. Accordingly, unless a client advises us to the contrary, it is likely that a client's holdings will include the securities of corporations for whom an Affiliated Broker-Dealers performs investment banking and other services. Moreover, client portfolios may include the securities of companies in which Affiliated Broker-Dealers make a market or in which BMR, its officers and employees and Affiliated Broker-Dealers or other related persons and their officers or employees have positions.

To meet applicable regulatory requirements, there are periods when BMR will not initiate or recommend certain types of transaction in the securities of companies for which an Affiliated Broker-Dealer is performing investment banking service. BMR clients will not be advised of that fact. In particular, when an Affiliated Broker-Dealer is engaged in an underwriting or other distribution of securities of a company, BMR may be prohibited from purchasing or recommending the purchase of certain securities of that company for its clients. BMR has implemented information barriers in order to minimize the impact of such restrictions on client portfolios. Notwithstanding the circumstances described above, clients, of their own initiative, may direct BMR to place orders for specific securities transactions in their accounts. In addition, BMR generally will not initiate or recommend transaction in the securities of companies with respect to which BMR affiliates may have controlling interests or are affiliated.

## **Investment Limits**

Various federal, state or foreign laws, rules and regulations, as well as certain corporate charters adopted by issuers in which BMR may invest, limit the percentage of an issuer's securities that may be owned by BMR and its affiliates. BMR is more likely to run into these limitations than investment advisers with fewer assets under management and/or that are not affiliated with a large financial institution or financial holding company. In certain instances, for purposes of these ownership limitations, BMR holdings on behalf of its client accounts will be aggregated with the holdings of its affiliates. These ownership limitations may be in the form of, among others: (i) a strict prohibition against owning more than a certain percentage of an issuer's securities (the "threshold"); (ii) a "poison pill" that would have a material dilutive impact on our holdings in that issuer should BMR and its affiliates exceed the threshold; (iii) provisions that would cause BMR and its affiliates to be considered "interested stockholders" of an issuer if BMR and its affiliates exceed the threshold; and (iv) provisions that may cause BMR and its affiliates to be considered an "affiliate" or "control person" of the issuer. BMR will generally avoid exceeding the threshold in these situations. With respect to situations in which BMR and its affiliates may be considered "interested stockholders" (or a similar term), the firm will generally avoid exceeding the threshold because if it were considered an interested stockholder, BMR and its affiliates would be prohibited (in some cases absent board and/or shareholder approval) from entering into certain transactions or performing certain services (including investment banking, financial advisory and securities lending) with or for the issuer. The firm will also generally avoid exceeding a threshold in situations in which BMR may be considered an affiliate of the issuer for the reasons set forth above, as well as the fact that should BMR be considered an affiliate of an issuer, the firm's ability to trade in the issuer's securities would become

limited. For additional information on certain regulatory risks, including the Volcker Rule, please see the “Legal and Regulatory Risks” sub-section in *Item 8, Methods of Analysis, Investment Strategies and Risk of Loss*.

### **Investments in Affiliated Investment Funds**

When permitted by applicable law and the investment guidelines applicable to individual client accounts, and considered by BMR to be in the best interests of a client, the firm may recommend to you, and invest the assets of a client’s account in various closed-end and open-end investment companies and other pooled investment vehicles for which BMR and its affiliates receive compensation for advisory, administrative, or other services.

In certain circumstances, when required by applicable law or by agreement with the client BMR will waive its investment management fee with respect to assets invested in pooled investment vehicles to the extent some or all of the compensation received by BMR and its affiliates for services rendered with respect to such pooled investment vehicles. BMR does not, in all instances, waive such investment management fees.

### **Investment Management Activities**

It is possible that the firm’s officers or employees will buy or sell securities or other instruments that BMR has purchased on behalf of or recommended to clients. Moreover, from time to time BMR will purchase and sell on behalf of or recommend to clients the purchase or sale of securities in which the firm or its officers, employees or related persons have a financial interest. These transactions are subject to firm policies and procedures regarding personal securities trading, as well as to the requirements of the Advisers Act, the 1940 Act and other applicable laws. Firm policies and procedures, the Advisers Act and the 1940 Act require that BMR place the interests of its clients before its own.

From time to time, various potential and actual conflicts of interest arise from the overall advisory, investment and other activities of BMR and its affiliates, and personnel (each, an Advisory Affiliate and, collectively, the Advisory Affiliates).

The Advisory Affiliates manage long and short portfolios. The simultaneous management of long and short portfolios creates conflicts of interest in portfolio management and trading in that opposite directional positions may be taken in client accounts managed by the same investment team, and creates risks such as: (i) the risk that short sale activity could adversely affect the market value of long positions in one or more portfolios (and vice versa) and (ii) the risks associated with the trading desk receiving opposing orders in the same security simultaneously. In certain circumstances, Advisory Affiliates invest on behalf of themselves in securities and other instruments that would be appropriate for, held by, or may fall within the investment guidelines of the funds and/or client accounts managed by them (collectively, the Advisory Clients). At times, the Advisory Affiliates will give advice or take action for their own accounts that differs from, conflicts with, or is adverse to advice given or action taken for any of the Advisory Clients.

From time to time, conflicts also arise due to the fact that certain securities or instruments may be held in some Advisory Clients but not in others, or the Advisory Clients may have different levels of

holdings in certain securities or instruments, and because the Advisory Clients pay different levels of fees to us. In addition, at times an Advisory Affiliate will give advice or take action with respect to the investments of one or more Advisory Clients that is not given or taken with respect to other Advisory Clients with similar investment programs, objectives, and strategies. Accordingly, Advisory Clients with similar strategies will not always hold the same securities or instruments or achieve the same performance. Advisory Affiliates also advise Advisory Clients with conflicting programs, objectives or strategies.

As discussed in *Item 8*, it is anticipated that BMR and MSIM investment departments will be permitted to collaborate together and to share resources and knowledge including, but not limited to: research; views on specific issuers and securities; and investment hypotheses. The respective investment departments will, unless otherwise disclosed, maintain separate trading desks and portfolio managers from one investment department will not be able to make investment decisions for the clients of the other. This collaboration can create conflicts of interest, including the ability of one investment department to trade ahead of the other, one investment department taking different positions or views from the other, or investment departments seeking to engage in similar transactions for which there may be limited buyers or sellers on specific securities. As such, it is anticipated BMR and MSIM will adopt policies and procedures or practices designed to monitor or mitigate conflicts of interest arising from investment department collaboration.

Any of the foregoing activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Advisory Clients. Finally, the Advisory Affiliates may have conflicts in allocating their time and services among their Advisory Clients. BMR will devote as much time to each of its Advisory Clients as it deems appropriate to perform its duties in accordance with its respective management agreements.

Different clients of BMR and its affiliates, including funds advised by BMR or an affiliate, may invest in different classes of securities of the same issuer, depending on their respective client's investment objectives and policies. As a result, at times, BMR will seek to satisfy its fiduciary obligations to certain clients owning one class of securities of a particular issuer by pursuing or enforcing rights on behalf of those clients with respect to such class of securities, and those activities may have an adverse effect on another client, which owns a different class of securities of such issuer. For example, if one client holds debt securities of an issuer and another client holds equity securities of the same issuer, if the issuer experiences financial or operational challenges, BMR may seek a liquidation of the issuer on behalf of the client that holds the debt securities, whereas the client holding the equity securities may benefit from a reorganization of the issuer. Thus, in such situations, the actions taken on behalf of one client can negatively impact securities held by another client. The firm has adopted procedures pursuant to which conflicts of interest, including those resulting from the receipt of material, nonpublic information about an issuer, are managed by our employees through information barriers and other practices.

BMR and its affiliates, from time to time, will pursue acquisitions of assets and businesses and identify an investment opportunity in connection with its existing businesses or a new line of business without first offering the opportunity to clients. Such an opportunity could include a business that competes with a client or an investment fund or a co-investment in which a client has invested or proposes to invest.

Where permitted by applicable law, BMR may also transact in securities or instruments, including without limitation, loans, for which its affiliates provide certain administrative services, such as processing of interest and principal payments, facilitating transfers of interest and processing communications.

From time to time, BMR may be retained to manage assets on behalf of a client that is a public or private company in which it has invested or may invest on behalf of sub-advised mutual funds and other client accounts.

### **General Process with Potential Conflicts**

All of the transactions described above involve the potential for conflicts of interest between BMR, its related persons, and its clients. The Advisers Act, the 1940 Act and ERISA impose certain requirements designed to decrease the possibility of conflicts of interest between an investment adviser and its clients. In some cases, transactions may be permitted subject to fulfillment of certain conditions. Certain other transactions may be prohibited. In addition, the firm has implemented policies and procedures designed to prevent conflicts of interest from arising and, when they do arise, to ensure that it effects transactions for clients in a manner that is consistent with its fiduciary duty to its clients and in accordance with applicable law. BMR seeks to ensure that potential or actual conflicts of interest are appropriately resolved taking into consideration the overriding best interest of the client.

BMR has adopted policies and procedures and established controls designed to require review of transactions in which conflicts of interest may exist, including those described above, to ensure that applicable policies and legal and regulatory requirements are followed.

## Item 12 - Brokerage Practices

### Selection of Broker-Dealers

BMR seeks to achieve best overall execution when selecting broker-dealers for client portfolio transactions. In seeking best overall execution, BMR will use its best judgment in evaluating the terms of a transaction, and will give consideration to various relevant factors, including without limitation the full range and quality of the services provided by the broker-dealer, the responsiveness of the broker-dealer to BMR, the size and type of the transaction, the nature and character of the market for the security, the confidentiality, speed and certainty of effective execution required for the transaction, the general execution and operational capabilities of the broker-dealer, the reputation, reliability, experience and financial condition of the broker-dealer, the value and quality of services rendered by the broker-dealer in this and other transactions, and the amount of the spread or commission, if any. While BMR generally does not seek competitive bidding on commissions rates on individual trades, BMR does seek to be aware of general rates broker-dealers charge. BMR may also consider the receipt of brokerage and research services, provided it does not compromise BMR's obligation to seek best overall execution. BMR trades using EVM's trading desks, and as described below in Trading Affiliates, may use the trading desk of other affiliates. Any reference to BMR within this Item 12 shall include a reference to EVM unless otherwise noted. See *Research Services Practices* below for additional information about the brokerage and research services BMR receives from broker-dealers.

### Trading Venues and Brokerage Commissions

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

Fixed income securities purchased and sold for clients have historically been primarily traded in the over-the-counter market through broker-dealers. Such firms attempt to profit from such transactions by buying at the bid and selling at the higher asked price of the market for such obligations, and the difference between the bid and asked price is the spread. Fixed income securities may also be purchased from underwriters and dealers in fixed-price offerings, the cost of which may include undisclosed fees and concessions received by the underwriters. Fixed-income transactions may also be transacted directly with the issuer of the obligations. In recent

years, an increased volume of fixed income trading has moved to alternative trading systems (ATS) and other electronic trading platforms. When BMR trades on such platforms, BMR bids or offers are matched against unknown counterparties which may be broker-dealers or other buy-side firms, which could be affiliates. The ATS or electronic platform is most commonly compensated based on a specified percentage of the trade amount.

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

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

## **Research Service Practices**

While BMR has an obligation to seek best overall execution with respect to client portfolio transactions, this does not necessarily require BMR to pay the lowest available brokerage commission for a particular transaction. Investment advisers commonly receive brokerage and research services from broker-dealers that effect client portfolio transactions. These brokerage and research services may benefit clients directly or indirectly and are paid for with the commissions charged by the broker-dealers for effecting portfolio transactions. The practice of paying for brokerage and research services with commissions generated by client portfolio transaction is known as using soft dollars. Section 28(e) of the Securities Exchange Act of 1934, as amended, provides a safe harbor for the use of soft dollars by investment advisers. Under the safe harbor, BMR may pay a broker or dealer who executes a portfolio transaction on behalf of a BMR client a commission that is greater than the amount of commission another broker or dealer would have charged for effecting the same transaction provided that BMR determines in good faith that such commission was reasonable in relation to the value of the brokerage and research services provided. This determination may be made on the basis of either that particular transaction or the overall responsibility that BMR and its affiliates have for accounts over which they exercise investment discretion. Brokerage and research services may include advice as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts; effecting securities transactions and performing functions incidental thereto (such as clearance and settlement); and the "Research Services" discussed below. BMR may also receive brokerage and research services from underwriters and dealers in fixed-price offerings.

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

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

*Third Party Research.* Investment advisers also commonly receive Research Services from research providers that are not affiliated with an executing broker-dealer, but which have entered into payment arrangements involving an executing broker-dealer ("Third Party Research Services"). BMR may consider the receipt of Third Party Research Services as a factor in selecting broker dealers to execute client portfolio transactions, provided it does not compromise BMR's obligation to seek best overall execution. Under a typical Third Party Research Services arrangement, the research provider agrees to provide research services to an investment adviser in exchange for a payment to the research provider by a broker-dealer that executes portfolio transactions for clients of the investment adviser. The investment adviser and the executing broker-dealer enter into a related agreement specifying the terms under which the executing broker-dealer



will pay for Third Party Research Services received by the investment adviser. Third Party Research Services arrangements typically involve execution of portfolio transactions in equity securities, but may arise in other contexts as well. For example, with respect to municipal obligations, an executing broker-dealer enters into an arrangement with an investment adviser to provide “research credits” typically generated as a result of acquisition of new issuances of municipal obligations in fixed price offerings. The amount of the research credit generated as a result of a particular transaction is a percentage of the offering price of the municipal obligations.

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

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

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

*Other commission uses.* Funds may allocate brokerage commissions to acquire information relating to the performance, fees and expenses of such Funds and other investment companies, which information is used by the Board of Trustees or other governing body of such Funds to fulfill their responsibility to oversee the quality of the services provided by various entities, including BMR, to the Funds. The Funds may also pay cash for such information.

## **Client Referrals**

In selecting broker-dealers for client portfolio transactions, BMR does not consider whether it or an affiliate receives client referrals from potential broker-dealers. Nevertheless, BMR may engage in portfolio brokerage transactions with a broker-dealer firm that sells shares of Funds, provided that such transactions are not directed to that firm as compensation for the promotion or sale of such shares. Client portfolio transactions may also be effected through broker-dealer firms that have introduced prospective clients to BMR or its affiliates. Such brokerage transactions are

subject to BMR's obligation to seek best execution and may not be directed to broker-dealers as compensation for the introduction of prospective clients.

## **Trade Execution**

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

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

## **Trade Aggregation and Allocation**

BMR seeks to ensure that, consistent with its fiduciary duties, every client is treated in a fair and equitable manner over time. BMR has adopted firm wide policies and procedures governing trade allocation and aggregation. Additionally as described in *Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss* above, BMR invests in a wide variety of security types and markets. As such, each investment department trading desk has adopted policies and procedures tailored to securities types they trade and markets they trade in.

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

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

## **Directed Brokerage**

A client may instruct BMR to execute orders for its account through a specific broker-dealer firm or firms (referred to as "directed brokerage"), to restrict or prohibit trading through a specific broker-dealer firm or firms, to include or exclude a specific broker-dealer firm or firms in a

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

### **Affiliated Transactions**

As detailed in Item 4, BMR will become an affiliate of Morgan Stanley and its broker-dealer subsidiaries (the MS BDs) upon the close of the Morgan Stanley Acquisition. Historically, BMR has traded often with MS BDs on behalf of clients. As affiliates, transactions BMR enters into with MS BDs will be subject to certain requirements detailed herein. In the event the merger does not close, BMR and the MS BDs will not be considered affiliates and any references to the MS BDs below will not be applicable.

Any transaction BMR enters into with an affiliated MS BD, including, but not limited to those transactions described below, will be done in compliance with applicable laws, rules, and regulations; will be subject to any restrictions contained in a client’s agreement with BMR; will be subject to BMR’s duty to seek best execution; and, will comply with any applicable BMR policies and procedures; and will not be done without any required client consent.

BMR does not act as a principal or broker in connection with client transactions. If BMR, subject to its obligation to seek best execution, enters into a client transaction with an affiliated MS BD in which the MS BD will be acting as principal, BMR will have to comply with all disclosure and client consent requirements in accordance with the provisions of and rules under the Advisers Act.

BMR will, from time to time, recommend or effect a transaction in new issues, initial or other public or private offerings of securities for which an MS BD is involved as a manager, underwriter, initial purchaser, or placement agent, subject to all disclosure and consent requirements. In certain transaction where BMR purchases securities from an underwriter or placement agent other than an MS BD, an MS BD may still receive a benefit or fee if the MS BD is a member of a syndicate or selling group on the transaction.

BMR will, from time to time, effect transactions through an MS BD on an agency basis. These transactions, including those in over-the-counter (OTC) securities, involve an MS BD acting as agent on the purchase and sale of any security from market participants. In an agency transaction, an MS BD will charge a commission on the transaction, but there is no mark up or mark down on the price of the security.

BMR executes client transactions with broker-dealers that do not have their own clearing facilities or with which BMR has not entered into a clearing agreement. In such situations, the broker-dealers may, including at the direction of BMR, clear the transaction through an MS BD. MS BDs will, in certain situations receive a clearing fee for these transactions.

Finally, from time to time, BMR will enter into an “agency cross transaction” where an MS BD acts as agent for both the buyer and seller in the transaction. In an agency cross transaction, the MS BD will receive a commission from the buyer and seller under certain conditions. In effecting an agency cross transaction, BMR has potentially conflicting divisions of loyalties and responsibilities regarding the parties to the transaction. Unless provided blanket written consent in accordance with the Advisers Act, BMR will be required to obtain client consent on a case-by-case basis to effect an agency cross transaction.

If BMR is a fiduciary to a client under ERISA, BMR will only effect trades with an MS BD on an agency basis and only upon prior receipt of written approval from an independent fiduciary in accordance with the terms of exemptions available from the Department of Labor.

## **Cross Trades**

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

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

## **Trade Errors**

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

If an erroneous trade settles in a client account and results in a gain, it will be retained by the client unless the client elects to decline it; any gains declined by a client will be donated to charity. BMR has established error accounts with certain brokers for the sole purpose of correcting trade errors. Each such account is maintained subject to the terms and conditions set by the broker. Any securities acquired by an account during the trade correction process are promptly disposed of. Brokerage commissions from client transactions will not be used to correct trade errors or compensate broker-dealers for erroneous trades.

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

## **Trading Affiliates**

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

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

The frequency of the review of client accounts, the nature of the review and the factors which may trigger reviews can vary widely among particular accounts, depending on the client's investment objectives and circumstances and the complexity, portfolio structure and size of an account. The portfolio manager of each account (or his or her designated representative) is responsible for reviewing all accounts for which he or she is the principal account manager. The responsible portfolio managers conduct regular reviews at or prior to the time quarterly written appraisal reports are sent to clients. Interim reviews may be triggered by numerous factors, such as: significant equity price or interest rate changes; new economic forecasts; investment policy changes of BMR; asset additions to the account by the client; and/or changes in a client's objectives, instructions, or circumstances.

The number of accounts assigned to individual BMR portfolio managers vary depending upon factors such as the investment strategy, complexity, size, discretion level or other circumstances of the particular accounts involved.

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

## Item 14 - Client Referrals and Other Compensation

While BMR does not directly compensate any third parties for client referrals, affiliates of BMR do. Affiliates of BMR have entered, and in the future will likely enter into written agreements with certain broker-dealer firms and other financial intermediaries or other entities or individuals permitted by law to compensate such firms or individuals for having referred certain investment advisory clients. Each firm or individual with whom an agreement exists is typically compensated in cash based upon a percentage of the investment advisory fee actually received by BMR or an affiliate from each referred client and/or by a flat fee. Such compensation typically continues as long as such client continues to employ BMR or an affiliate as the client's investment adviser and, in some cases, only if the representative of the firm who introduced the client to BMR or an affiliate remains an employee of the firm. Generally, the clients referred pay an advisory fee that is no higher as a result of this arrangement than BMR or an affiliate's regular advisory fee as set forth in *Fees and Compensation* above. Notwithstanding the foregoing, however, BMR or an affiliate may at times enter into a referral agreement whereby the annual advisory fee paid by the client is higher than the customary advisory fee charged by BMR or an affiliate by reason of the compensation paid to the firm or individual referring such client. In such cases, BMR or an affiliate would notify the client and obtain a written disclosure statement executed by the client which acknowledges the higher fee payment.

As described in *Item 12 – Brokerage Practices* above, certain broker-dealers may refer clients to BMR or an affiliate. BMR will not factor such referrals into its trading decisions.

BMR or an affiliate may also enter into written agreements with certain broker-dealer firms and other financial intermediaries to compensate such firms for distributing shares of Funds. Each firm with whom an agreement exists is typically compensated in cash based upon a percentage of the net asset value of the shares of the Funds distributed by such firm.

BMR and its affiliates have entered into various agreements regarding client referrals and may enter into additional agreements in the future. Such arrangements include registered representatives of EVD referring clients to BMR or an affiliate. It is anticipated BMR will enter into agreements regarding client referrals with its Morgan Stanley affiliates. See *Item 10 – Other Financial Industry Activities and Affiliations* above for additional details.



## **Item 15 - Custody**

In connection with the management of certain unregistered Funds, BMR is deemed to have custody of client assets under Rule 206(4)-2 under the Advisers Act (the “Custody Rule”). Each of these Funds has made arrangements with a qualified custodian. The annual financial statements of these Funds are audited by an independent public accountant registered with the Public Company Accounting Oversight Board as required by the Custody Rule.

Client assets are maintained by qualified custodians. In the event a client of BMR custodies their assets at MSSB, BMR will generally be deemed to have “custody” of the funds and securities held in such accounts as well, and will comply with the custody requirements under the Advisers Act.

## **Item 16 - Investment Discretion**

In managing the Funds, BMR is subject to any applicable investment restrictions adopted by the Funds, as well as the ongoing oversight of each Fund's Board of Trustees or other governing body, as applicable. BMR consults with the applicable governing body on a variety of significant matters relating to the Funds, including some strategic investment matters.

## Item 17 - Voting Client Securities

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

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

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

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

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

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

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

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

## **Item 18 - Financial Information**

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

**FACTS****WHAT DOES EATON VANCE DO WITH YOUR PERSONAL INFORMATION?**

<b>Why?</b>	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
<b>What?</b>	<p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <ul style="list-style-type: none"> <li>▪ Social Security number and income</li> <li>▪ investment experience and risk tolerance</li> <li>▪ checking account number and wire transfer instructions</li> </ul>
<b>How?</b>	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Eaton Vance chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Eaton Vance share?	Can you limit this sharing?
<b>For our everyday business purposes—</b> such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
<b>For our marketing purposes—</b> to offer our products and services to you	Yes	No
<b>For joint marketing with other financial companies</b>	No	We don't share
<b>For our investment management affiliates' everyday business purposes—</b> information about your transactions, experiences, and creditworthiness	Yes	Yes
<b>For our affiliates' everyday business purposes—</b> information about your transactions and experiences	Yes	No
<b>For our affiliates' everyday business purposes—</b> information about your creditworthiness	No	We don't share
<b>For our investment management affiliates to market to you</b>	Yes	Yes
<b>For our affiliates to market to you</b>	No	We don't share
<b>For nonaffiliates to market to you</b>	No	We don't share

<b>To limit our sharing</b>	<p>Call toll-free 1-800-262-1122 or email: <a href="mailto:EVPrivacy@eatonvance.com">EVPrivacy@eatonvance.com</a></p> <p><b>Please note:</b></p> <p>If you are a <i>new</i> customer, we can begin sharing your information 30 days from the date we sent this notice. When you are <i>no longer</i> our customer, we continue to share your information as described in this notice. However, you can contact us at any time to limit our sharing.</p>
<b>Questions?</b>	Call toll-free 1-800-262-1122 or email: <a href="mailto:EVPrivacy@eatonvance.com">EVPrivacy@eatonvance.com</a>

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## Who we are

## Who is providing this notice?

Eaton Vance Management, Eaton Vance Distributors, Inc., Eaton Vance Trust Company, Eaton Vance Management (International) Limited, Eaton Vance Advisers International Ltd., Eaton Vance Global Advisors Limited, Eaton Vance Management's Real Estate Investment Group, Boston Management and Research, Calvert Research and Management, Eaton Vance and Calvert Fund Families and our investment advisory affiliates ("Eaton Vance") (see Investment Management Affiliates definition below)

## What we do

## How does Eaton Vance protect my personal information?

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings. We have policies governing the proper handling of customer information by personnel and requiring third parties that provide support to adhere to appropriate security standards with respect to such information.

## How does Eaton Vance collect my personal information?

We collect your personal information, for example, when you

- open an account or make deposits or withdrawals from your account
- buy securities from us or make a wire transfer
- give us your contact information

We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.

## Why can't I limit all sharing?

Federal law gives you the right to limit only

- sharing for affiliates' everyday business purposes—information about your creditworthiness
- affiliates from using your information to market to you
- sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing. See below for more on your rights under state law.

## Definitions

## Investment Management Affiliates

Eaton Vance Investment Management Affiliates include registered investment advisers, registered broker-dealers, and registered and unregistered funds. Investment Management Affiliates does not include entities associated with Morgan Stanley Wealth Management, such as Morgan Stanley Smith Barney LLC and Morgan Stanley & Co.

## Affiliates

Companies related by common ownership or control. They can be financial and nonfinancial companies.

- *Our affiliates include companies with a Morgan Stanley name and financial companies such as Morgan Stanley Smith Barney LLC and Morgan Stanley & Co.*

## Nonaffiliates

Companies not related by common ownership or control. They can be financial and nonfinancial companies.

- *Eaton Vance does not share with nonaffiliates so they can market to you.*

## Joint marketing

A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

- *Eaton Vance doesn't jointly market*

## Other important information



**Vermont:** Except as permitted by law, we will not share personal information we collect about Vermont residents with Nonaffiliates unless you provide us with your written consent to share such information.

**California:** Except as permitted by law, we will not share personal information we collect about California residents with Nonaffiliates and we will limit sharing such personal information with our Affiliates to comply with California privacy laws that apply to us.