

**Item 1—Cover Page**

**Opus Investment Management, Inc.**

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**Form ADV Part 2A: Firm Brochure**

**March 29, 2021**

This Brochure provides information about the qualifications and business practices of Opus Investment Management, Inc. (“Opus”). If you have any questions about the contents of this Brochure, please contact us at 508-855-6689 and/or [lmcentegart@opusinvestment.com](mailto:lmcentegart@opusinvestment.com). 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.

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

Opus is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

## **Item 2—Material Changes**

This Brochure dated March 29, 2021 represents an update to the Brochure dated March 27, 2020.

Item 4 has been updated to reflect a revision in Opus' assets under management as of December 31, 2020.

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#### **Item 4—Advisory Business**

**A.** Opus began as the asset management division of the former State Mutual Life Assurance Company of America (“State Mutual”), incorporated in 1844 in Massachusetts. Opus was incorporated in 1985, doing business first as SMA Financial Corp and then Allmerica Asset Management, reflecting corporate parentage. In 2003, our name was changed to Opus. Opus is a wholly-owned subsidiary of The Hanover Insurance Group, Inc. (THG) (“The Hanover”) (previously Allmerica Financial Corporation), which began trading on the New York Stock Exchange as a public company after completing the demutualization of State Mutual in 1995.

Our mandate is to provide investment management services to a range of institutional investors on a separate account basis, with a particular focus on investors in the insurance industry. Opus manages money for unaffiliated firms as well as members of The Hanover family of companies.

**B.** Opus generally offers discretionary investment advisory services on fixed income products to institutional investors including insurance companies, self-insurance groups and other financial institutions. For some of our clients that wish to have equity market exposure, we also offer advisory services related to mutual funds and exchange traded funds. We currently provide advisory services on individual equity securities and alternative investments only to our affiliates, or as part of a portfolio transition.

**C.** We tailor our investment services to a degree for each client. The individual client investment guidelines, as well as any regulatory investment restrictions or limitations, are considered when implementing the investment strategy for a particular client. Each client, through its investment guidelines, imposes restrictions related to eligible asset classes, duration, diversification and other items.

**D.** Opus does not participate in wrap fee programs.

**E.** As of December 31, 2020, Opus manages \$ 12,641,947,742 on a discretionary basis and \$0 on a non-discretionary basis.

## **Item 5—Fees and Compensation**

A. Opus is paid for its investment advisory services through an asset management fee. The standard fee scales for strategy specific clients and for insurance clients investing in a mix of strategies is shown below.

### **SEPARATE ACCOUNT MANAGEMENT**

#### **Capital Preservation & Income**

0.20% per annum on the first \$50 million

0.15% per annum on the next \$50 million

0.10% per annum thereafter

#### **Short Broad Market**

0.30% per annum on the first \$25 million

0.25% per annum on the next \$25 million

0.15% per annum thereafter

#### **Intermediate Broad Market**

0.30% per annum on the first \$25 million

0.25% per annum on the next \$25 million

0.15% per annum thereafter

#### **Investment Grade Core**

0.30% per annum on the first \$25 million

0.25% per annum on the next \$25 million

0.15% per annum thereafter

#### **High Yield**

0.40% per annum on the first \$50 million

0.35% per annum on the next \$50 million

0.25% per annum thereafter

### **Passive Equity**

0.10% per annum

### **All Other Strategies**

0.35% per annum on the first \$10 million

0.25% per annum on the next \$15 million

0.20% per annum on the next \$25 million

0.15% per annum thereafter

The asset management fee includes investment management services, amortized cost accounting services, client reporting and client meetings. Coordinating custody and Schedule D reporting are each separately available. In addition to the asset management fee, certain advisory clients compensate Opus for coordinating custody through a third-party "qualified custodian" at rate of 0.05% per annum on assets under management. This service is no longer offered to new investors. Schedule D reporting is available for greater of .05% or \$15,000. All fees are subject to negotiation. Schedule D reporting includes providing Schedule D reports and files, and other related investment schedules and disclosures that are filed by the insurance company with the National Association of Insurance Commissioners (NAIC) and/or the individual states, as required.

**B.** Each client's investment advisory agreement describes how fees are charged by Opus. Opus will typically bill its fees on a quarterly basis, in arrears. Accounts initiated or terminated during a calendar quarter are charged a pro-rated fee. Generally, fees for existing clients are assessed based on the average fair market value of applicable assets at the close of business on the last business day of each calendar month during the quarterly period, unless the client's investment advisory agreement states otherwise. Typically, asset management fees for new investors will be assessed based on the average daily fair market value during the quarterly period, unless the client's investment advisory agreement states otherwise. At termination of an account, any earned, unpaid fees will be due and payable.

**C.** Clients pay for charges imposed by custodians, brokers and other third parties such as brokerage commissions, transaction fees, and other related costs and expenses, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Certain clients may receive custodial coordination services per their investment management agreement, and the associated custodial fees will be paid by the Adviser on their behalf. Mutual funds and exchange traded funds ("ETFs") also charge internal management fees and have other expenses of the type described above, which are disclosed in an ETF's offering documents and fund's prospectus and are paid indirectly by a client.

These charges, fees and commissions are in addition to Opus' asset management fee, and Opus shall not receive any portion of these commissions, fees, and costs except for those additional services provided for in the advisory agreement.

Item 12 further describes the factors that Opus considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

### **Item 6—Performance-Based Fees and Side-By-Side Management**

Opus does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). Gains in the value of a client's account do, however, result in a larger base of assets that Opus' fees are charged on. Likewise, losses result in a lower asset base for purposes of fee calculations.

### **Item 7—Types of Clients**

Opus will provide investment advisory services to insurance companies, self-insured groups, foundations, endowments, municipalities, trust programs and other U.S. and international institutions.

Opus requires a minimum account size and minimum annual fee for each separate account, as further described below:

#### **Capital Preservation & Income**

Minimum account size—\$50 million

#### **Short Broad Market**

Minimum account size—\$5 million

Minimum annual fee—\$18,750

#### **Intermediate Broad Market**

Minimum account size—\$5 million

Minimum annual fee—\$18,750

#### **Investment Grade Core**

Minimum account size—\$5 million

Minimum annual fee—\$18,750

## **High Yield**

Minimum account size—\$50 million

Minimum annual fee—\$200,000

## **Passive Equity**

Minimum account size – none

Minimum annual fee - \$3,000

All fees and minimum account sizes are subject to negotiation.

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

Opus believes that to manage a fixed income portfolio effectively, an understanding of its role within the total portfolio is essential. Most investors seek fixed income to provide stability and protection --- an anchor if you will --- while experiencing steady levels of income. For this reason, the firm aims to deliver risk-adjusted results rather than the highest absolute total returns where capital preservation could be jeopardized.

Historical return analysis of the Bloomberg Barclays U.S. Aggregate Bond Index suggests that focusing on income generation, rather than price appreciation, has the potential to lead to consistent long-term results. In order to achieve this, the firm believes in “yield wins over time.” In practice, this means building a client portfolio with a yield advantage versus the corresponding benchmark by utilizing a top-down macroeconomic approach to determine sector positioning coupled with bottom-up fundamental research to invest in securities with attractive characteristics. By mirroring the interest rate risk of the benchmark, the goal is to create value through sector rotation and security selection, not through duration effects.

To connect Opus’ beliefs regarding the role of fixed income with the firm’s investment goal of creating yield-advantaged portfolios, an overarching risk framework is employed to determine how to generate yield while investing in the sectors and securities favored by the investment team. Essentially, when the team believes the growth outlook is favorable and relative value is attractive, credit risk is lengthened or increased to target price appreciation. When the outlook is less favorable or probable, or relative value is challenged, credit risk is shortened to target income and carry.

Opus views fixed income as the anchor to the overall portfolio while targeting risk-adjusted returns, creating a compelling opportunity for fixed income investors.

Opus’ fixed income investment strategy includes investing in a variety of instruments such as U.S. Treasury and Agency bonds; corporate debt; state and political sub-division obligations; residential and commercial mortgage-backed securities; and other asset-backed securities. On a limited basis for clients that seek exposure to the equity market we



recommend mutual funds and exchange traded funds, primarily indexed rather than actively managed.

Our methods of analysis include:

- \*Fundamental credit analysis, including an in-depth evaluation of each issuer in terms of the nature of the business and its history, the nature of the industry, the historical and expected financial results (income statement, balance sheet, funds statement) and related ratio analysis, financing plans, quality and depth of management.

- \*Security analysis, including prepayment options, affirmative and negative covenants and an evaluation of the securities and their terms.

- \*Quantitative, technical, vector and structural analysis.

The principal sources of information typically include: Annual and interim financial reports, SEC or NAIC filings, prospectuses and offering circulars prepared by issuers or their agents; information published in newspapers, periodicals and in commentaries from investment bankers, engineers and financial advisors; ratings and reviews of securities from services such as Fitch, Moody's, Standard & Poor's; and many other sources such as commercial mortgage information providers, appraisal studies, feasibility studies, real property market analyses and materials provided by mortgage bankers.

A number of risks are present in our investment strategies, including:

- \*Pandemic Risk. Disease outbreaks that affect local economies or the global economy may materially and adversely impact our investment portfolios and/or our business. These types of outbreaks have the potential to cause severe decreases in core business activities such as manufacturing, purchasing, tourism, business conferences and workplace participation, among others. These disruptions also have the potential to lead to instability in the marketplace, including market losses and overall volatility. In the face of such instability, governments may take extreme and unpredictable measures to combat the spread of disease and mitigate the resulting market disruptions and losses. In the event of a pandemic or an outbreak, there can be no assurance that we or our service providers will be able to maintain normal business operations for an extended period of time or will be able to retain the services of key personnel on a temporary or long-term basis due to illness or other reasons. The full impact of a pandemic or disease outbreaks is unknown, which could result in a high degree of uncertainty for potentially extended periods of time.

- \*Credit Risk (Default): An account could lose money if the issuer or guarantor of a security (including a security purchased with securities lending collateral), or the counterparty to a derivatives contract, repurchase agreement or a loan of portfolio securities, is unable or unwilling, or is perceived (whether by market participants, rating agencies, pricing services or otherwise) as unable or unwilling, to make timely principal and/or interest payments, or to otherwise honor its obligations. The downgrade of the credit of a security held by the account may decrease its value. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings.

\*High Yield Risk. Accounts that invest in high yield securities and unrated securities of similar credit quality (commonly known as “junk bonds”) may be subject to greater levels of credit and liquidity risk than accounts that do not invest in such securities. These securities are considered predominately speculative with respect to the issuer’s continuing ability to make principal and interest payments. An economic downturn or period of rising interest rates could adversely affect the market for these securities and reduce an account’s ability to sell these securities (liquidity risk). If the issuer of a security is in default with respect to interest or principal payments, an account may lose its entire investment. Because of the risks involved in investing in high yield securities, an investment in an account that invests in such securities should be considered speculative.

\*Inflation-Indexed Security Risk. Inflation-indexed 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 value of an inflation-indexed security, including Treasury inflation-protected securities (“TIPS”), tends to decrease when real interest rates increase and can increase when real interest rates decrease. Thus generally, during periods of rising inflation, the value of inflation-indexed securities will tend to increase and during periods of deflation, their value will tend to decrease. Interest payments on inflation-indexed securities are unpredictable and will fluctuate as the principal and interest are adjusted for inflation. There can be no assurance that the inflation index used (*i.e.*, the Consumer Price Index (“CPI”)) will accurately measure the real rate of inflation in the prices of goods and services. Increases in the principal value of TIPS due to inflation are considered taxable ordinary income for the amount of the increase in the calendar year. Any increase in the principal amount of an inflation-indexed debt security could be considered taxable income, even though the account will not receive the principal until maturity. Additionally, a CPI swap can potentially lose value if the realized rate of inflation over the life of the swap is less than the fixed market implied inflation rate (fixed breakeven rate) that the investor agrees to pay at the initiation of the swap. With respect to municipal inflation-indexed securities, the inflation adjustment is integrated into the coupon payment, which could be federally tax exempt (and may be state tax exempt). For municipal inflation indexed securities, there is no adjustment to the principal value. Because municipal inflation-indexed securities are a small component of the municipal bond market, they may be less liquid than conventional municipal bonds.

\*Interest Rate Risk: Interest rate risk is the risk that fixed income securities will decline/increase in value because of an increase/decrease in interest rates. As nominal interest rates rise, the value of certain fixed income securities held by an account is likely to decrease. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate. Fixed income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. The values of equity and other non-fixed income securities may also decline due to fluctuations in interest rates.

\*Issuer Risk: The value of a security may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced

demand for the issuer's goods or services, as well as the historical and prospective earnings of the issuer and the value of its assets.

**\*Liquidity Risk:** Liquidity risk exists when particular investments are difficult to purchase or sell. An account's investments in illiquid securities may reduce the returns of the account because it may be unable to sell the illiquid securities at an advantageous time or price. Additionally, the market for certain investments may become illiquid under adverse market or economic conditions independent of any specific adverse changes in the conditions of a particular issuer. In such cases, an account, due to potential limitations on investments in illiquid securities and the difficulty in purchasing and selling such securities or instruments, may be unable to achieve its desired level of exposure to a certain sector. To the extent that an account's principal investment strategies involve foreign (non-U.S.) securities, derivatives or securities with substantial market and/or credit risk, the account will tend to have the greatest exposure to liquidity risk.

**\*Management Risk:** Each actively managed account is subject to management risk. Opus and each individual portfolio manager will apply investment techniques and risk analyses in making investment decisions for actively managed accounts, but there can be no guarantee that these decisions will produce the desired results. Additionally, legislative, regulatory, or tax restrictions, policies or developments may affect the investment techniques available to Opus and each individual portfolio manager in connection with managing such accounts and may also adversely affect the ability of the accounts to achieve their investment objectives.

**\*Market Risk:** The market price of securities owned by an account may go up or down, sometimes rapidly or unpredictably. Securities may decline in value due to factors affecting securities markets generally or particular industries represented in the securities markets. The value of a security may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. The value of a security may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. During a general downturn in the securities markets, multiple asset classes may decline in value simultaneously. Equity securities generally have greater price volatility than fixed income securities.

**\*Mortgage-Related and Other Asset-Backed Risk:** Mortgage-related and other asset-backed securities often involve risks that are different from or more acute than risks associated with other types of debt instruments. Generally, rising interest rates tend to extend the duration of fixed rate mortgage-related securities, making them more sensitive to changes in interest rates. As a result, in a period of rising interest rates, if an account holds mortgage related securities, it may exhibit additional volatility. This is known as extension risk. In addition, adjustable and fixed rate mortgage-related securities are subject to prepayment risk. When interest rates decline, borrowers may pay off their mortgages sooner than expected. This can reduce the returns of an account because the account may have to reinvest that money at the lower prevailing interest rates. An account's

investments in other asset-backed securities are subject to risks similar to those associated with mortgage-related securities, as well as additional risks associated with the nature of the assets and the servicing of those assets.

While we strive to develop views or opinions on future cash flows across a range of investment types, the future is uncertain and we cannot predict outcomes with a high degree of precision.

Clients should be prepared to bear the risk of loss that may result from adverse developments across the range of investment types.

### **Item 9—Disciplinary Information**

Opus has no reportable disciplinary history.

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

Opus derives a large amount of its revenue from its advisory relationships with its affiliates, which are property and casualty insurance companies and related businesses. The largest affiliates are The Hanover Insurance Company and Citizens Insurance Company of America. This relationship creates a potential for conflict with unaffiliated clients in terms of competing for management's time as well as investments. Opus addresses this potential conflict by assigning portfolio managers and client administrators to particular clients for whom they are responsible. Additionally, Opus has a procedure to handle the allocation of investments that might be appropriate for multiple clients. That procedure calls for the sharing of investments on a pro-rata basis if Opus cannot purchase sufficient quantity of the investment to satisfy the desired amount of each affected client. A portfolio manager may depart from a strictly pro rata allocation: (1) to avoid creating odd lot positions in any account; (2) to allocate a smaller portion to those accounts for which the purchased security would be a peripheral investment and a larger portion to those accounts for which the security would be a core investment; or (3) to the extent that the purchased security is especially appropriate for accounts with certain investment goals or risk tolerances.

The factors Opus considers in determining whether an investment is appropriate for multiple client accounts may include:

- Each client's investment objectives and investment focus;
- Each client's liquidity, reserves, and surplus, if applicable;
- Each client's diversification;
- Amount of capital available for investment by each client as well as each client's projected future capacity for investment;
- Each client's overall risk tolerance;

- Composition of each client's portfolio
- The availability of other suitable investments for each client;
- Lender covenants and other limitations;
- Risk considerations;
- Cash flow considerations;
- Asset class restrictions;
- Industry and other allocation targets;
- Minimum and maximum investment size requirements;
- Tax implications;
- Legal, contractual or regulatory constraints; and
- Any other relevant limitations imposed by or conditions set forth in the applicable client investment guidelines.

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

### **Code of Ethics**

Opus operates under a Code of Ethics that complies with Rule 204A-1 of the Advisers Act.

Opus has adopted a Code of Ethics for all Access Persons describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes sections relating to (i) the confidentiality of client information, (ii) a prohibition on insider trading, (iii) restrictions on the acceptance of gifts and the reporting of gifts and business entertainment items, (iv) service on unrelated company boards, (v) reporting of brokerage accounts and securities holdings, and (vi) personal securities preclearance and trading procedures, among other things. All Access Persons at Opus must acknowledge the terms of the Code of Ethics at least annually.

Opus anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Opus has management authority to effect the purchase or sale of securities in which Opus, its affiliates and/or clients, directly or indirectly, have a position or interest. In doing so, Opus' employees are required to follow Opus' Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Opus may trade for their own accounts in securities which are purchased for Opus' clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Opus' obligation to achieve best execution. In such circumstances, the client accounts will share commission costs equally and receive securities at a total average price. Opus will retain records of the trade order (specifying

each participating account) and its allocation. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

Access Persons subject to the Code of Ethics include (i) any director or officer of Opus or any other person who reports directly or indirectly to Opus' president (unless exempted in writing by the president); (ii) any supervised person of Opus who has access to nonpublic information regarding any client's purchase or sale of securities, or nonpublic information regarding the portfolio holdings of any client, or who is involved in making securities recommendations to clients, or who has access to such recommendations that are nonpublic; and (iii) every other person or independent contractor of the adviser designated as an Access Person by Opus' president.

The policies set forth in the Code of Ethics and are subject to annual certification and to ongoing oversight by Opus' Chief Compliance Officer.

All Access Persons are subject to additional trading and reporting restrictions. These restrictions include a requirement to pre-clear personal transactions in Initial Public Offerings, Private Securities transactions and restricted securities (certain exceptions apply).

### **Prohibited Activities**

No Access Person, in connection with the purchase or sale of a security, directly or indirectly, by that Access Person may:

- employ any device, scheme or artifice to defraud;
- make any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which it was made, not misleading;
- engage in any act, practice or course of business which operates or would operate as a fraud or deceit;
- engage in any manipulative practice; or
- make any misrepresentations or providing false information in connection with any securities transactions including the sale of securities.

*Improper Use of Information.* No Access Person may use his or her knowledge about the securities transactions or holdings of a client in trading for any account that is directly or indirectly beneficially owned, controlled or influenced by, or any fiduciary account of, the Access Person. Any investment ideas developed by an Access Person must be made available to the clients before the Access Person may engage in personal transactions based on these ideas.

*Front-Running.* No Access Person may engage in front-running an order or recommendation for a client. Front-running means purchasing or selling the same or underlying securities or derivatives based on these securities ahead of and based on

knowledge of client securities transactions that are likely to affect the value of these securities.

*Personal Trading While Client Trades are Pending.* No Access Person may, in trading for any account that is directly or indirectly beneficially owned, controlled or influenced by, or any fiduciary account of, that Access Person, purchase or sell any restricted security that:

- Is being purchased or sold on behalf of a client;
- Has been purchased or sold on behalf of a client within the previous 15 days; or
- Is being considered for purchase or sale on behalf of a client, even though no order has been placed, unless the transaction is exempt.

The prohibition on Personal Trading While Client Trades are pending shall not apply to any purchase or sale, or series of related transactions in restricted securities, (except fixed income securities, Initial Public Offerings, or Limited Offerings) involving less than \$50,000 of the restricted securities of a company listed either on a national securities exchange or traded over the counter and having a market capitalization exceeding \$5 billion.

*Prohibited Transactions for Fiduciary Accounts.* No Access Person may purchase or sell any restricted security for a fiduciary account if the person knows or should know that the purchase or sale may adversely affect the interest of a client.

*Short Sales.* No Access Person may sell short a restricted security held in any client account managed by Opus.

*Options.* No Access Person may transact in options or futures of a restricted security.

*Short Term Trading.* Access Persons are prohibited from engaging in short term trading in restricted securities.

*Communicating Nonpublic Client Information.* No Access Person may communicate to anyone who is not an Access Person any material nonpublic information about a fund, any other client or any issuer of a security owned by a client.

### **Conflicts of Interest**

Opus seeks to avoid or minimize conflicts of interest through business and investment practices that are subject to policies and procedures designed to protect the interest of clients while maintaining Opus' fiduciary obligations.

Portfolio managers manage multiple accounts for multiple clients. Managing multiple accounts could create potential conflicts of interest, such as those between investment strategies, or allocations of investment opportunities. Managing multiple accounts also can raise concerns that some accounts would be favored over others.

Opus manages these types of potential conflicts through its policies and procedures, which include allocation policies and procedures, internal trading review processes, compliance department trading oversight, and oversight by directors and independent third parties.

As mentioned above, certain affiliated accounts may trade in the same securities with unaffiliated client accounts on an aggregated basis. Opus may have an incentive to allocate more profitable trades to affiliated accounts. Opus has trade-allocation procedures and controls to ensure that all accounts' aggregated orders are conducted in a fair and equitable manner. These allocation policies address potential conflicts through a number of different practices including, but not limited to pro rata allocation of orders and specific procedures for the allocation of partially filled aggregated orders.

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. It is Opus' policy that it will not affect any principal transactions for client accounts. Opus will also not cross trades between unaffiliated client accounts or between affiliated and unaffiliated client accounts. However, Opus, will, on occasion, buy and sell securities between affiliated accounts. When Opus executes these transactions, it generally obtains prices from a third-party pricing service to ensure that each affiliated account is receiving a fair price for the security bought/sold.

## **Item 12—Brokerage Practices**

Opus' exercise of discretionary authority to conduct portfolio transactions in publicly traded securities generally conforms to the following practices:

1. Opus places portfolio transactions with broker-dealers it selects and, if applicable, negotiates commissions. Broker-dealers may, but typically don't, receive brokerage commissions on portfolio transactions of Opus' clients. Opus may from time to time also execute a client's portfolio transactions with such broker-dealers acting as principals, in which case, no brokerage commissions are payable, but other transaction costs, including mark-ups and mark-downs, are incurred. Opus has not dealt, nor does it intend to deal, exclusively with any particular broker-dealer or group of broker-dealers. It is Opus' policy to seek the best execution, which means obtaining for a client account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer. In evaluating the execution services of a broker-dealer, including the overall reasonableness of brokerage commissions, consideration is given to other objective factors including (i) the firm's general execution and operational capabilities; (ii) willingness and ability to commit capital during all types of market conditions and with all types of securities; (iii) ability to provide investment ideas; (iv) research provided; and (v) its reliability and financial condition.



2. Opus receives no soft dollar benefits for placing client trades with any particular broker-dealer. Opus pays for third party research from various sources with hard dollars. Opus receives unsolicited research from some broker-dealers, but that research is not predicated on any particular volume of business.
3. Opus permits, upon request, that certain brokers be included when we are soliciting bids, subject to most favorable execution of client transactions.

### **Item 13—Review of Accounts**

Accounts which are advised by Opus are reviewed regularly in terms of the credit conditions of fixed income issues owned, the status of fixed income markets, the outlook for the general economy, and alternative investment opportunities. Personnel performing the review function are professional investment portfolio managers and analysts either with extensive training and experience or with direct reporting responsibility to senior, experienced personnel. These include Vice Presidents, Assistant Vice Presidents and Assistant Treasurers.

Frequency of reports varies with accounts. At a minimum, comprehensive written reports are furnished at least quarterly and include market commentary, holdings and transactions.

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

Opus has a marketing arrangement with an entity that is compensated for a prior client referral only. The compensation is a percentage of client revenue from a single client.

One of Opus' associated persons serves as a director of business development. This person markets Opus' advisory services to prospective third-party clients and receives a salary and incentive compensation based generally on corporate results of the Hanover enterprise.

Opus adheres to the requirements of SEC rule 206(4)-3 with respect to the marketing arrangements described above.

### **Item 15—Custody**

Clients should receive statements at least quarterly from the broker dealer, bank or other qualified custodian that holds and maintains their investment assets. Clients receive custody statements directly from the custodian and Opus urges clients to carefully review such statements and compare the official custodial records to the account statements that Opus provides.

## **Item 16—Investment Discretion**

Opus usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Opus observes the investment policies, limitations and restrictions of the clients for which it advises. Some clients may place restrictions on the sale of certain securities, including those held on deposit with the client's regulator.

Investment guidelines and restrictions must be provided to Opus in writing and are usually included as part of the investment advisory agreement, which grants Opus discretionary authority to buy and sell securities on behalf of the client.

## **Item 17—Voting Client Securities**

To the extent Opus has agreed in writing with a client to vote or recommend how to vote proxies for a client's account, Opus will comply with its responsibilities and the requirements of Rule 206(4)-6 under the Advisers Act.

With respect to accounts over which Opus performs proxy voting, it maintains written policies and procedures as to the handling, research, voting and reporting of proxy voting. Clients may obtain information on how Opus voted their proxies or obtain a copy of the proxy voting policies and procedures by contacting Lynne McEntegart at 508-855-6689 or [lmcentegart@opusinvestment.com](mailto:lmcentegart@opusinvestment.com).

With respect to accounts over which Opus does not perform proxy voting, unless otherwise directed in writing by the Client, Opus will promptly provide the client with all proxy materials and/or materials that it receives relating to the assets in the client account (but only to the extent that it has received such materials), but shall not take any action with respect to the voting of such proxies.

## **Item 18—Financial Information**

Opus has no reportable financial information.