

## **Bear Stearns Asset Management Inc.**

383 Madison Avenue, New York, NY 10179  
(212) 648-2772

March 30, 2021

This brochure provides information about the qualifications and business practices of Bear Stearns Asset Management Inc. (“BSAM” or the “Adviser”). If you have any questions about the contents of this brochure, please contact us at (212) 648-2772. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about BSAM, including a copy of our Form ADV Part 1A, is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

BSAM is registered as an investment adviser with the SEC. Such registration does not imply a certain level of skill or training.

## ITEM 2

### Material Changes

This brochure ("Brochure") dated March 30, 2021, contains the following material change since it was last updated on March 27, 2020.

•

Item 8.B - Material, Significant, or Unusual Risks Relating to Investment Strategies, was updated as follows:

- The "General Market Risk" disclosure was expanded to include additional risk factors beyond the control of the Adviser that can impact a client's investments, including but not limited to the risk of infectious disease pandemics, such as COVID-19.
- The "Regulatory Risk" disclosure was updated to reflect revisions to the certain provisions of the Volcker Rule adopted in June 2020.

Item 10.C - Material Relationships or Arrangements with Affiliated Entities, was updated to disclose the following:

- J.P. Morgan Investment Management Inc., an affiliated investment adviser registered with the SEC, has been listed as a Related Adviser in Item 2.A of Part 1A of the BSAM Form ADV.

For ease of reference, capitalized terms that are defined when first used in the Brochure are also set forth in the Key Terms section.

**ITEM 3****Table of Contents**

ITEM 1 - Cover Page .....	-
ITEM 2 - Material Changes .....	1
ITEM 3 - Table of Contents .....	2
ITEM 4 - Advisory Business .....	4
A. General Description of Advisory Firm .....	4
B. Description of Advisory Services .....	4
C. Availability of Customized Services for Individual Clients .....	4
D. Wrap Fee Programs .....	4
E. Assets Under Management .....	5
ITEM 5 - Fees and Compensation .....	5
A. Advisory Fees and Compensation .....	5
B. Payment of Fees .....	5
C. Additional Fees and Expenses .....	6
D. Prepayment of Fees .....	9
E. Additional Compensation and Conflicts of Interest .....	9
ITEM 6 - Performance-Based Fees and Side-by-Side Management .....	10
A. Performance-Based Fees .....	10
B. Side-by-Side Management and Potential Conflicts of Interest .....	10
ITEM 7 - Type of Clients .....	10
ITEM 8 - Methods of Analysis, Investment Strategies and Risk of Loss .....	10
A. Methods of Analysis and Investment Strategies .....	10
B. Material, Significant, or Unusual Risks Relating to Investment Strategies .....	13
C. Risks Associated with Particular Types of Securities .....	21
ITEM 9 - Disciplinary Information .....	21
A. Criminal or Civil Proceedings .....	21
B. Administrative Proceedings Before Regulatory Authorities .....	21
C. Self-Regulatory Organization ("SRO") Proceedings .....	21
ITEM 10 - Other Financial Industry Activities and Affiliations .....	21
A. Broker-Dealer Registration Status .....	21
B. Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading .....	22
C. Related Persons .....	22
D. Material Conflicts of Interest Relating to Other Investment Advisers .....	24
ITEM 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading ...	24
A. Code of Ethics and Personal Trading .....	24
B. Participation or Interest in Client Transactions and Other Conflicts of Interest .....	25
ITEM 12 - Brokerage Practices .....	33
A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions .....	33
B. Order Aggregation .....	34
ITEM 13 - Review of Accounts .....	35

A. Frequency and Nature of Review of Client Accounts or Financial Plans .....	35
B. Factors Prompting Review of Client Accounts Other than a Periodic Review .....	36
C. Content and Frequency of Account Reports to Clients .....	36
ITEM 14 - Client Referrals and Other Compensation .....	36
A. Economic Benefits Received from Third-Parties for Providing Services to Clients .....	36
B. Compensation to Non-Supervised Persons for Client Referrals .....	37
ITEM 15 - Custody .....	37
ITEM 16 - Investment Discretion .....	37
ITEM 17 - Voting Client Securities .....	37
A. Policies and Procedures Relating to Voting Client Securities .....	37
B. No Authority to Vote Client Securities and Client Receipt of Proxies .....	39
ITEM 18 - Financial Information .....	39
A. Balance Sheet .....	39
B. Financial Conditions Likely to Impair Ability to Meet Contractual Commitments to Clients ..	39
C. Bankruptcy Filings .....	39
Key Terms .....	40

**ITEM 4****Advisory Business****A. General Description of Advisory Firm**

This Brochure relates to the investment advisory services offered by Bear Stearns Asset Management Inc. ("BSAM" or the "Adviser"). BSAM, a New York corporation, is registered with the Securities and Exchange Commission ("SEC") as an investment adviser pursuant to the Investment Advisers Act of 1940, as amended (the "Advisers Act"). BSAM, together with 55I, LLC, Highbridge Capital Management, LLC, J.P. Morgan Alternative Asset Management, Inc., J.P. Morgan Investment Management Inc., JPMorgan Asset Management (Asia Pacific) Limited, JPMorgan Asset Management (UK) Limited, JPMorgan Funds Limited, Security Capital Research & Management Inc., each an SEC registered investment adviser, various affiliated foreign investment advisers and the asset management division of JPMorgan Chase Bank, N.A. ("JPMCB") comprise the Asset Management business of J.P. Morgan Asset & Wealth Management ("JPMAM"). J.P. Morgan Asset Management ("JPMAM") is the marketing name for the JPMAM businesses of JPMorgan Chase & Co. and its affiliates worldwide ("JPMC"). JPMC is a publicly traded global financial services firm.

The Bear Stearns Companies LLC, which is a subsidiary of JPMC, owns all the common stock of BSAM. BSAM was incorporated in New York on March 15, 1985.

**B. Description of Advisory Services**

BSAM provides advisory services on a discretionary basis to institutional clients. BSAM continues to manage private equity closed-ended pooled investment vehicles that are in the disposition phase of their life cycle. In addition to the private equity funds, BSAM also serves as the collateral manager for certain collateralized debt obligation ("CDO") private funds. Following the default and acceleration of most of the CDO funds, BSAM's authorities were limited by the transaction documents. The CDO funds that are subject to default and acceleration no longer permit any purchases or sales of their underlying collateral. Therefore, BSAM's primary activity with respect to those CDO funds is to monitor the payments received from the underlying collateral of the funds.

Although it no longer actively solicits new investors and is not making new investments, BSAM still operates as a registered investment adviser under the Advisers Act and as such, maintains a fiduciary relationship with its remaining clients.

**C. Availability of Customized Services for Individual Clients**

As BSAM is the investment adviser to pooled investment vehicles, BSAM generally does not tailor investment objectives, guidelines and any investment restrictions to the needs of individual investors in those vehicles, but rather such objectives, guidelines and restrictions are described in the prospectus or other relevant offering document for the vehicle.

**D. Wrap Fee Programs**

Not applicable.

**E. Assets Under Management**

As of December 31, 2020, BSAM had assets under management in the amounts set forth below:

<b>Assets Under Management</b>	<b>U.S. Dollar Amount</b>
<b>Assets Managed on a Discretionary Basis</b>	\$ 110,932,046
<b>Assets Managed on a Non-Discretionary Basis</b>	\$ 0
<b>Total Assets Under Management</b>	\$ 110,932,046

**ITEM 5****Fees and Compensation****A. Advisory Fees and Compensation**

BSAM's applicable fees and expenses are set forth in the relevant offering or governing documents for the respective funds.

The Adviser's fees vary significantly depending on the type of fund and investment strategy, and are generally subject to negotiation. The private equity funds managed by the Adviser typically utilize an asset-based fee ranging from 0.5% to 2% annually. For private funds that include performance-based compensation or carried interest, fees typically range from 5% to 20% of the appreciation of the account's or fund's assets. The nature of the asset-based fee varies. For example, it may be based on capital committed to the fund or capital committed to underlying investments, and/or may vary within a fund based on the fund's investment stages. The performance-based compensation or carried interest also varies across the funds and may vary within funds in relation to types of investments. In addition, certain funds offer a preferred return threshold prior to which no carried interest is paid to the Adviser. The preferred return threshold similarly varies across funds and/or clients.

The CDO funds for which the Adviser serves as collateral manager are generally subject to an asset-based fee, as specified in the offering documents related to the relevant funds. However, the fees for the CDO funds that are subject to default and acceleration are subordinated to certain other expenses of the funds and the Adviser is not currently receiving any fees from those funds.

Investors should refer to the offering documents of the relevant fund or applicable fee agreement for further information with respect to fees.

**B. Payment of Fees**

A description of the calculation and payment of fees payable to the Adviser is set forth in the applicable offering or governing document or fee agreement for the relevant fund. Clients should refer to such documents for further information with respect to fees.

With respect to certain pooled investment vehicles advised by BSAM, such vehicles may enter into side letter agreements with certain investors that provide for investment terms that may differ from the terms described in its offering documents. Such terms may include waivers reducing or rebating management fees and/or performance-based fees. Side letter agreements will not generally entitle other investors to the same terms of any such side letter agreements. A pooled investment vehicle will enter into side letter

agreements only if and to the extent they are consistent and implemented in accordance with the governing documents of such vehicle and the fiduciary duties owed to its investors.

### **C. Additional Fees and Expenses**

#### **General**

In addition to the advisory fees described above, clients may be subject to other fees and expenses in connection with BSAM's advisory services.

#### *Transaction Charges*

Clients generally pay brokerage commissions, taxes, legal fees, charges and other costs related to the purchase and sale of securities for a client's account. See Item 12, Brokerage Practices for additional information regarding the Adviser's brokerage practices.

#### *Common Types of Expenses*

Clients may either directly or through allocations by the Adviser or its Affiliates, bear the following expenses through the life of their investment:

- (i) All organizational and offering expenses;
- (ii) All third-party costs, fees or expenses incurred in connection with the performance of all due diligence investigations in relation to the acquisition, ownership, management, repositioning, development, redevelopment, capital expenditure in relation to, or realization of, any investment (including any dead deal costs);
- (iii) The third-party costs, fees or expenses incurred in connection with the negotiating, structuring, financing and documenting of the acquisition, ownership and realization of any investment, including pursuing joint venture partners, forming joint ventures, co-investments and syndicating investments (including dead deal costs), any investment-related costs, fees or expenses and brokerage, underwriting or similar commissions incurred in relation to any investment (including dead deal costs);
- (iv) Any other third-party costs, fees or expenses incurred in connection with the acquisition, ownership, management, repositioning, development, redevelopment or capital expenditure in relation to, or realization of, any investments (including dead deal costs);
- (v) The third-party costs, fees and expenses required to be paid in connection with any credit facility to be obtained or assumed in connection with any fund entity or investment, including the legal fees and expenses of lenders' legal counsel, the fees and expenses of the fund's legal counsel, brokers' fees, lenders' assumption or transfer fees and required reserves (including dead deal costs);
- (vi) Transfer taxes, title premiums, environmental insurance premiums, underwriters' commissions and other closing costs and expenses payable or incurred in connection with the acquisition, ownership and realization of any investment;
- (vii) The costs, fees and expenses associated with the formation of any joint venture, special purpose vehicle, co-investment or any syndication in relation to any investment;
- (viii) The costs, fees and expenses, including any interest expenses, incurred in respect of any credit facility, including any subscription line credit facility;

- (ix) The costs, fees and expenses and any taxation associated with re-balancing the interests of the fund in another fund entity where it is issuing or repurchasing interests of an investor;
- (x) The costs, fees and expenses of all brokers, managers, architects, accountants, tax advisers, administrators, lawyers, investment bankers, consultants, underwriters, auditors, appraisers, valuers, valuation advisers, calculation agents and other professional advisers or experts who are engaged in relation to the operation of the fund or any investment;
- (xi) All costs, fees and expenses associated with the preparation and filing of any combined or composite financial or tax return on behalf of the investors;
- (xii) The costs, fees and expenses of any independent fiduciary and meetings thereof;
- (xiii) The costs and expenses of the investment advisory committee and any meetings thereof and other meetings of investors and the reasonable travel, lodging, dining and other expenses incurred by attending investment advisory committee meetings in person;
- (xiv) The costs, fees or expenses incurred in connection with making any filings with any governmental or regulatory authority (including any filings made on behalf of one or more investors), or with listing any investment or fund entity on any exchange;
- (xv) The costs, fees or expenses incurred in threatening, making, defending, investigating or settling any claim, counterclaim, demand, action, suit or proceedings of any kind or nature (including legal and accounting fees and expenses, costs of investigation incurred in making, defending or settling any of the same);
- (xvi) Insurance premiums (excluding any premiums for director and officer insurance and professional indemnity insurance in respect of any director, officer or employee of the Adviser or any of its Affiliates in relation to such a person acting as a director, officer or employee of any fund entity in relation to, or in connection with, the fund or any investment), claims and expenses, including the advancement thereof, and legal fees, disbursements and governmental fees and charges associated therewith;
- (xvii) Claims and expenses incurred by any indemnified party (including the Adviser, its affiliates and their respective employees), including in connection with any untrue representation or warranty contained in any document relating to any investment and any offering document for any debt or equity issuance or other borrowing (except in certain enumerated circumstances);
- (xviii) The costs, fees and expenses relating to marketing the fund to potential investors, including the costs, fees and expenses associated with registering the fund for marketing in certain jurisdictions, any translations of the fund prospectus and constituent documents and any side letters with investors;
- (xix) The costs, fees and expenses relating to the establishment, operation, re-organization, termination, dissolution and/or liquidation of any fund entity, except to the extent that the constituent documents for any such entity provide to the contrary that any such costs, fees and expenses are to be borne by the investors in such entity;
- (xx) The amount of any value-added tax paid by the Adviser or its Affiliates in relation to a fund entity, in relation to, or in connection with, the business of the fund including (for the avoidance of doubt) any value-added tax in connection with all costs, fees or expenses related to the fund's operations;
- (xxi) Any statutory or regulatory fees, if any, levied against or in respect of any fund entity, together with the costs incurred in preparing any such submission required by any tax, statutory or regulatory authority or agency;
- (xxii) Any taxation, fees or other governmental charges levied against any fund entity and all expenses incurred in connection with any tax or regulatory audit, investigation, settlement or review of any fund entity;



- (xxiii) The costs, fees and expenses relating to the establishment and operation of the general partner or any person in an analogous position in respect of any fund entity;
- (xxiv) The costs, fees and expenses incurred by each unaffiliated board (if any) including the reasonable travel, lodging, dining and other expenses for attending the annual, quarterly and other meetings thereof in person and the director fees of such directors;
- (xxv) The costs, fees and expenses associated with any independent valuation adviser, the auditors and professional appraisers or other advisers in the preparation of the annual audit of the fund, the valuation of its assets and other persons associated with the preparation, printing and communication of valuations and reports to investors and any financial statements or tax returns for the fund or its investors;
- (xxvi) The costs, fees and expenses of the administrator, the custodian the depository or any other fund service providers who are engaged in respect of the operation of the fund (including Affiliates of the Adviser who provide such services);
- (xxvii) The costs, fees and expenses associated with research into furtherance of, and with direct applicability to, the fund's investment activities (including engaging consultants and other activities that promote deal pipeline development);
- (xxviii) Reasonable out-of-pocket travel, lodging and similar expenses incurred by the Adviser, or any other JPMC entity or their respective directors, officers or employees arising from the acquisition, ownership, operation or disposal of any investment (in the case of a proposed Investment, whether or not actually acquired, or in the case of an existing investment, whether or not actually disposed of) or other operation of the fund;
- (xxix) Costs, fees and expenses incurred in connection with conversion from one currency into another and any hedging or currency transactions, including such transactions hedging any foreign exchange or other risks associated with any investments or any fund entity;
- (xxx) Any overhead costs, fees and expenses and salaries and benefits in connection with maintaining an office and/or directors, officers or employees of any fund entity (excluding, for the avoidance of doubt, any directors, officers or employees of JPMC) in a particular jurisdiction, where such office is being maintained or such persons are located in such jurisdiction specifically for the benefit of the fund; and
- (xxxi) Any costs, fees and expenses incurred to alter or modify the structure of the fund (including in order to comply with any anticipated or applicable regulation or law or to enable the fund to operate in a more efficient manner), provided that, for the avoidance of doubt, the foregoing examples will not be taken to be inclusive of all costs, fees and expenses which will be fund expenses.

The foregoing examples of expenses related to the funds is not exhaustive and should not be taken to be inclusive of all costs, fees and expenses.

For details on fund expenses of the private equity funds advised by the Adviser and the CDO funds for which the Adviser serves as collateral manager, please refer to the offering documents for such funds.

#### *Expense Allocation*

Expenses are generally attributable to specific funds and are allocated to those respective funds. Where expenses are incurred by multiple funds the Adviser allocates aggregate costs among the applicable funds in accordance with allocation policies and procedures which are reasonably designed to allocate expenses in a fair and reasonable manner over time among such advisory clients. However, expense allocation decisions can involve potential conflicts of interest (e.g., an incentive to favor advisory clients that pay higher incentive fees or conflicts relating to different expense arrangements with certain advisory clients). Under its current expense allocation policies, where expenses are not attributable to specific

funds, the Adviser generally allocates the expenses among funds on a pro rata basis based on assets under management. However, the Adviser will in certain cases bear the allocable share, or a portion thereof, of expenses for particular funds and not for others, as agreed with such funds or as determined in its sole discretion, which will lead to a lower expense ratio for certain funds. The Adviser may also allocate a portion of any expense to itself where a product or service is shared between the Adviser and its Affiliates on the one hand and the Adviser's funds on the other. In these and other circumstances, the Adviser may deviate from pro rata allocation if it deems another method more appropriate based on the relative use of, or benefit from, a product or service, or other relevant factors. Nonetheless, the portion of a common expense that the Adviser allocates to a fund for a particular product or service may not reflect the relative benefit derived by the relevant fund in each instance.

In addition, the fee rates and expenses applicable to BSAM's advisory services, and potential conflicts related thereto are generally governed by expense policies and procedures, which have been established by the Adviser.

#### **D. Prepayment of Fees**

BSAM generally charges advisory fees in advance. If a client terminates the advisory contract before the end of the billing period, BSAM may, at its discretion, refund either all or part of the fees paid in advance.

#### **E. Additional Compensation and Conflicts of Interest**

Neither BSAM nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

As part of its regular business activities, JPMC from time to time may provide services to the funds managed by the Adviser, or services, advice or financing to pooled investment vehicles in which the funds managed by the Adviser invest, or to companies in which such vehicles and funds managed by the Adviser invest. Subject to legal or regulatory limitations, JPMC will receive customary fees and other compensation for such services, advice or financing, and such amounts will not be shared with funds managed by the Adviser or used to offset the Adviser's management fees.

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

If a client is directly invested in another pooled investment vehicle managed by BSAM or its Affiliates (collectively, "JPMorgan Affiliated Funds"), the Adviser generally does not receive advisory fees from both the client and the JPMorgan Affiliated Fund in which the client is invested. The advisory fees are paid by the JPMorgan Affiliated Fund.

Depending on the type of fee arrangement with the client, the Adviser could face a conflict of interest in allocating client assets among the various clients. For example, if a client pays a higher fixed account level advisory fee than another client, then the Adviser faces a conflict of interest when allocating clients' assets because it may have an incentive to allocate to clients that generate higher fees.

The Adviser has policies and procedures reasonably designed to appropriately identify, and manage the conflicts of interest described above. Please refer to the relevant offering document for the fund for additional information and disclosure related to fees and potential conflicts of interest.

**ITEM 6****Performance-Based Fees and Side-by-Side Management****A. Performance-Based Fees**

Clients of BSAM pay two types of fees for investment advisory services. The fees are determined on a fixed rate or incentive basis. Most clients are charged fees based on a percentage of assets under management. Certain accounts are charged an incentive or performance-based fee or carried interest together with, or in lieu of, an asset-based fee. Generally, performance-based fees are calculated on the appreciation of a client's assets.

**B. Side-by-Side Management and Potential Conflicts of Interest**

BSAM has simultaneously managed accounts that are charged performance-based fees and accounts that are charged asset-based fees, however the private equity funds are currently in liquidation, and most of the CDO funds are currently subject to default and acceleration. Since the Adviser is no longer making new investments, the risks that might ordinarily arise from side-by-side management are not currently applicable.

BSAM has adopted policies and procedures pursuant to which investment opportunities will be allocated among similarly situated clients in a manner that BSAM believes is fair and equitable over time. For a detailed discussion of how BSAM addresses allocation conflicts, please see Item 11.B, Conflicts of Interest Created by Contemporaneous Trading.

**ITEM 7****Type of Clients**

The Adviser provides investment advisory services to pooled investment vehicles.

For certain types of private investment funds managed by the Adviser, U.S. investors must have generally satisfied certain investor sophistication requirements during their initial investment, including that the client qualifies as an "accredited investor" under Rule 501(a) of Regulation D under the Securities Act of 1933, as amended, and a "qualified purchaser" within the meaning of section 2(a)(51) of the Investment Company Act of 1940, as amended.

**ITEM 8****Methods of Analysis, Investment Strategies and Risk of Loss****A. Methods of Analysis and Investment Strategies**

The Adviser utilizes different methods of analysis that are tailored for each of the investment strategies it offers its clients. Set forth below are the primary methods of analysis and investment strategies that the Adviser utilizes in formulating investment advice or managing assets.

This Item 8 includes a discussion of the primary risks associated with these investment strategies. However, it is impossible to identify all the risks associated with investing and the particular risks

applicable to a client account will depend on the nature of the account, its investment strategy or strategies and the types of securities held. While the Adviser seeks to manage accounts so that risks are appropriate to the strategy, it is often impossible or not desirable to fully mitigate risks. Any investment includes the risk of loss, and there can be no guarantee that a particular level of return will be achieved. Clients should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential losses.

Because of the status of the various funds that the Adviser manages, it is not currently making any new investments.

### **Private Equity**

#### **Methods of Analysis.**

When the BSAM private equity funds were in their investment phase, the Adviser invested in the private equity market via making commitments to private equity funds managed by third parties (partnership investments) and investing directly in companies either alone or together with third-party private equity managers (direct company investments).

Successful private equity investing depends to a large degree on the ability to attract and develop a steady flow of quality investment opportunities, and to select investments that will produce superior risk adjusted returns from these opportunities.

### **Partnerships**

Partnership investments were selected through a process that required initial screening of new proposals, meetings with third-party private equity management teams, and extensive due diligence. When making partnership investments, BSAM took a bottom up approach designed to assess the probability of a general partner's future success, and focuses on, among other things, the track record and reputation of the principals, their investment thesis and strategy, and the decision-making process and relevant past performance of the general partner. Areas of focus that BSAM has utilized during past due diligence reviews are summarized below:

<b>Area</b>	<b>Key criteria</b>
Background of individuals	Relevant experience/reputation of individuals Extent to which backgrounds are complementary Experience as a team
Status of General Partner	Governance Turnover of principals Vesting of partners Disciplined investment process Overall staffing and office Communications with limited partners
Deal flow	Sources of deal flow Ability to generate proprietary deals

Performance track record	Portfolio and deal-by-deal performance analysis Pattern of successful deals Invest consistent with stated strategy Valuation methodology Distribution policy
Investment strategy	Changes from previous partnerships Differentiation of investment thesis Attractiveness of investment focus Deal selection process Depth and quality of due diligence Quality of individual investments Deal management/involvement of general partner Exit strategy
Terms of proposed partnership	Changes from previous partnerships Management fees, carried interest structure, "claw back" "Key person" provisions Allocation of other fees (transaction fees, director's fees, etc.) Size consistent with capacity to generate deal flow General partner investment Conflicts of interest Creation of advisory committee Co-investment policy for general and limited partners

### Direct Company Investments

Direct investment opportunities in companies were sourced through BSAM's relationships with affiliated and third party private equity managers. BSAM's direct investment selection process was designed to capitalize on the due diligence work performed by the general partners. Although a general partner's due diligence was not a substitute for BSAM's own assessment of the opportunity, BSAM has benefited from the general partner's work and expertise and thus freed up time and resources for BSAM to focus its efforts on aspects of the investment that were of particular interest and concern.

The most important selection criteria for direct company investments included the projected returns, the company's relative position in its industry, the attractiveness of the industry, valuation, depth of the management team, type of security issued, and the alignment of interests with the general partner.

### Private Equity Investment Strategies.

The following are some of the Adviser's significant Private Equity strategies which were pursued through Partnerships and Direct Company Investments:

- Global Private Equity
- U.S. Corporate Finance
- European Corporate Finance

- Venture Capital
- Real Estate

**Collateralized Debt Obligations****Methods of Analysis**

Following the default and acceleration of certain of the CDO funds, BSAM's authorities were limited by the transaction documents. Those CDO funds no longer permit any purchases or sales of their underlying collateral. Therefore, BSAM's primary activity with respect to those CDO funds is to monitor the payments received from the underlying collateral of the funds.

Generally, however, the approach of BSAM and its Affiliates to analyzing securitized investment sectors begins with an assessment of macroeconomic conditions. Once investment themes have been established, sector specialists scan the market for investment opportunities, utilizing a combination of fundamental, quantitative and technical inputs to identify investment opportunities through security selection. Within securitized fixed income sectors, security selection decisions begin with an analysis of underlying loan collateral, including an assessment of the loans underlying the securitized products to form opinions on the quality of the securities and probability of loss. An analysis of structure follows, with a focus on credit enhancement, priority of payments, performance triggers and mechanisms, and the legal framework relating to the recovery process and its enforceability. Entities originating or issuing these securitized products are also analyzed. When possible, the teams supplement the loan-level analysis with quantitative modeling and stress testing to project cash flows across different scenarios. Lastly, credit surveillance is central to the management of portfolios of risky mortgage assets as the teams track the evolution of actual performance of investments over time.

**B. Material, Significant, or Unusual Risks Relating to Investment Strategies**

The investment strategies utilized by the Adviser depend on the requirements of the client and the investment guidelines associated with the client's account. Each strategy is subject to material risks. A fund may not achieve its objective if the Adviser's expectations regarding particular securities or markets are not met.

Set forth below are some of the material risk factors that are often associated with the investment strategies and types of investments relevant to many of the Adviser's clients. This is a summary only. The information included in this Brochure does not include every potential risk associated with each investment strategy or applicable to a particular client account. Clients should not rely solely on the descriptions provided below. Clients are urged to ask questions regarding risk factors applicable to a particular strategy or investment product, read all product-specific risk disclosures and determine whether a particular investment strategy or type of security is suitable for their account in light of their specific circumstances, investment objectives and financial situation.

In the case of JPMorgan Affiliated Funds, the risk factors associated with the relevant fund's investment strategy are disclosed in the prospectus, offering memorandum or other materials of the fund. Prospective investors should carefully read the relevant offering documents and consult with their own counsel and advisers as to all matters concerning an investment in a fund.

**General Portfolio Risks**

**General Market Risk.** Economies and financial markets throughout the world are becoming increasingly interconnected, which increases the likelihood that events or conditions in one country or region will adversely impact markets or issuers in other countries or regions. Securities in any one strategy may

under perform in comparison to general financial markets, a particular financial, market or other asset classes, due to a number of factors, including inflation (or expectations for inflation), deflation (or expectations for deflation) interest rates, global demand for particular products or resources, market instability, debt crises and downgrades, embargoes, tariffs, sanctions and other trade barriers, regulatory events, other governmental trade or market control programs, and related geopolitical events. In addition, the value of a strategy's investments may be negatively affected by the occurrence of global events such as war, terrorism, environmental disasters, natural disasters or events, country instability, and infectious disease epidemics.

For example, the outbreak of COVID-19, a novel coronavirus disease, has negatively affected economies, markets and individual companies throughout the world, including those in which BSAM invests. The effects of this pandemic to public health and business and market conditions, including exchange trading suspensions and closures may continue to have a significant negative impact on the performance of the BSAM investments, increase fund volatility, and negatively impact broad segments of businesses and populations. The Adviser's operations may be interrupted as a result, which may contribute to the negative impact on investment performance. In addition, governments, their regulatory agencies, or self-regulatory organizations may take actions in response to the pandemic that affect the instruments in which BSAM invests, or the issuers of such instruments, in ways that could have a significant negative impact on investment performance. The full impact of the COVID-19 pandemic, or other future epidemics or pandemics, is currently unknown.

**Cyber Security Risk.** As the use of technology has become more prevalent in the course of business, the Adviser has become more susceptible to operational and financial risks associated with cyber security, including: theft, loss, misuse, improper release, corruption and destruction of, or unauthorized access to, confidential or highly restricted data relating to the Adviser and its clients, and compromises or failures to systems, networks, devices, and applications relating to the operations of the Adviser and its service providers. Cyber security risks may result in: financial losses to the Adviser and its clients; the inability of the Adviser to transact business with its clients; delays or mistakes in materials provided to clients; the inability to process transactions with clients or other parties; violations of privacy and other laws; regulatory fines, penalties, and reputational damage; and compliance and remediation costs, legal fees, and other expenses. The Adviser's service providers (including any sub-advisers, administrator, transfer agent, and custodian or their agents), financial intermediaries, companies in which client accounts and funds invest and parties with which the Adviser engages in portfolio or other transactions also may be adversely impacted by cyber security risks in their own businesses, which could result in losses to the Adviser or its clients. While measures have been developed which are designed to reduce the risks associated with cyber security, there is no guarantee that those measures will be effective, particularly since the Adviser does not directly control the cyber security defenses or plans of its service providers, financial intermediaries and companies in which they invest or with which they do business.

**Data and Information Risk.** Although the Adviser obtains data and information from third party sources that it considers to be reliable, the Adviser does not warrant or guarantee the accuracy and/or completeness of any data or information provided by these sources. The Adviser does not make any express or implied warranties of any kind with respect to such data. The Adviser shall not have any liability for any errors or omissions in connection with any data provided by third party sources.

**Regulatory Risk.** Pending and ongoing regulatory reform may have a significant impact on the Adviser's investment advisory business.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank"), as amended, added Section 13 to the Bank Holding Company Act of 1956 (the "BHCA") and its implementing regulations (together the "Volcker Rule") under which a "banking entity" (including the Adviser and its Affiliates) is restricted from acquiring or retaining an equity, partnership or other ownership interest in, or sponsoring, a "covered fund" (which is defined to include certain pooled investment vehicles) unless the investment or activity is conducted in accordance with an exclusion or exemption. The Volcker Rule's



asset management exemption permits a banking entity, such as the Adviser, to invest in or sponsor a covered fund, subject to satisfaction of certain requirements, which include, among other things, that a banking entity only hold a de minimis interest (no more than 3%) in the covered fund and that only directors and employees directly engaged in providing investment advisory or other qualifying services to the covered fund are permitted to invest. In addition, the Volcker Rule generally prohibits a banking entity from engaging in transactions that would cause it or its Affiliates to have credit exposure to a covered fund managed or advised by its Affiliates; that would involve or result in a material conflict of interest between the banking entity and its clients, customers or counterparties; or that would result, directly or indirectly, in a material exposure by the banking entity to high-risk assets or high-risk trading strategies. These restrictions could materially adversely affect accounts that are, or are invested in, covered funds, because the restrictions could limit a covered fund from obtaining seed capital, loans or other commercial benefits from the Adviser or its Affiliates. As a result, the Volcker Rule impacts the method by which the Adviser seeds, invests in and operates its funds, including private equity funds and hedge funds.

In June 2020, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Company, and the Commodity Futures Trading Commission ("CFTC"), and the Securities and Exchange Commission adopted a final rule revising the Volcker Rule's provisions relating to covered funds, including modifying existing, and adopting new exclusions from the definition of "covered fund." The revised rule became effective on October 1, 2020. The ultimate impact of these revisions to the Volcker Rule, including whether the Adviser may seek to rely on these new exclusions with respect to existing funds or new funds will depend on, among other things, the investment strategy of the funds and development of market practice and standards. The Adviser may seek to restructure its funds to comply with applicable laws, rules and regulations, including, without limitation, the Volcker Rule. Any restructuring would be designed to enable the funds to carry out their investment objectives and otherwise accommodate the interests of investors in those funds as a whole, while complying with the Volcker Rule.

The Dodd-Frank Act and its implementing regulations impact the market for derivatives products regulated as "swaps" by the CFTC, "security-based swaps" by the SEC, or "mixed swaps" by both Commissions. Although much of the CFTC's regulatory regime has already been implemented, much of the SEC's regulatory regime is currently anticipated to take effect in 2021, and both regimes may be amended or expanded in the future. These developments may increase the cost of derivatives trading (whether through increased margin requirements, less favorable pricing, or other means), the eligibility of the Adviser and J.P. Morgan Affiliated Funds and client accounts to transact in such products, and the market availability of such products. As a result, the Adviser's management of funds and accounts that use and trade swaps and derivatives may be adversely impacted. Other jurisdictions outside the United States in which the Adviser operates may also adopt and implement regulations that could have a similar impact on the Adviser and the broader markets. These non-US regulatory regimes may also impact products not currently regulated under the Dodd-Frank Act.

Similarly, the Adviser's management of funds and accounts that use and trade swaps and derivatives may be adversely impacted by adopted changes to the CFTC and other regulations. Other jurisdictions outside the United States in which the Adviser operates may also adopt and implement regulations that could have a similar impact on the Adviser and the broader markets.

Under the BHCA, if a fund were deemed to be controlled by the Adviser or an Affiliate, investments by such fund would be subject to limitations under the BHCA that are substantially similar to those applicable to JPMC. Such limitations would place certain restrictions on the fund's investments in non-financial companies. These restrictions would include limits on the ability of the fund to be involved in the day-to-day management of the underlying non-financial company and the limitations on the period of time that the fund could retain its investment in such company. In addition, the fund, together with interests held by JPMC, may be limited from owning or controlling, directly or indirectly, interests in third parties that exceed 5% of any class of voting securities or 25% of total equity. These limitations may have a material adverse effect on the activities of the relevant fund.



Foreign regulators have passed and it is expected that they will continue to pass legislation and changes that may affect certain clients. The Adviser may take certain actions to limit its authority in respect of client accounts to reduce the impact of regulatory restrictions on the Adviser or its clients.

In addition, there have been legislative, tax and regulatory changes and proposed changes that may apply to the activities of the Adviser that may require legal, tax and regulatory changes, including requirements to provide additional information pertaining to a client account to the Internal Revenue Service or other taxing authorities. Regulatory changes and restrictions imposed by regulators, self-regulatory organizations ("SROs") and exchanges vary from country to country and may affect the value of client investments and their ability to pursue their investment strategies. Any such rules, regulations and other changes, and any uncertainty in respect of their implementation, may result in increased costs, reduced profit margins and reduced investment and trading opportunities, all of which may negatively impact performance.

**Counterparty Risk.** An account may have exposure to the credit risk of counterparties with which it deals in connection with the investment of its assets, whether engaged in exchange traded or off-exchange transactions or through brokers, dealers, custodians, and exchanges through which it engages. In addition, many protections afforded to cleared transactions, such as the security afforded by transacting through a clearing house, might not be available in connection with over-the-counter ("OTC") transactions. Therefore, in those instances in which an account enters into OTC transactions, the account will be subject to the risk that its direct counterparty will not perform its obligations under the transactions and will sustain losses.

**Liquidity Risk.** Investments in some equity and privately placed securities, structured notes or other instruments may be difficult to purchase or sell, possibly preventing the sale of these illiquid securities at an advantageous price or when desired. A lack of liquidity may also cause the value of investments to decline and the illiquid investments may also be difficult to value.

**Geographic and Sector Focus Risk.** Certain strategies and funds concentrate their investments in a region, small group of countries, an industry or economic sector, and as a result, the value of the portfolio may be subject to greater volatility than a more geographically or sector diversified portfolio. Investments in issuers within a country, state, geographic region, industry, or economic sector that experiences adverse economic, business, political conditions, or other concerns will impact the value of such a portfolio more than if the portfolio's investments were not so concentrated. A change in the value of a single investment within the portfolio may affect the overall value of the portfolio and may cause greater losses than it would in a portfolio that holds more diversified investments.

**Currency Risk.** Changes in foreign currency exchange rates will affect the value of portfolio securities. Generally, when the value of the U.S. dollar rises in value relative to a foreign currency, an investment impacted by that currency loses value because that currency is worth less in U.S. dollars. Currency exchange rates may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates. Devaluation of a currency by a country's government or banking authority also 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, may be riskier than other types of investments and may increase the volatility of a portfolio.

**Foreign Securities and Emerging Markets Risk.** Investments in securities of foreign issuers denominated in foreign currencies are subject to risks in addition to the risks of securities of U.S. issuers. These risks include political and economic risks, civil conflicts and war, greater volatility, currency fluctuations, higher transactions costs, delayed settlement, possible foreign controls on investment, expropriation and nationalization risks, liquidity risks, and less stringent investor protection and disclosure standards of some foreign markets. Events and evolving conditions in certain economies or markets may alter the risks associated with investments tied to countries or regions that historically were perceived as

comparatively stable becoming riskier and more volatile. These risks are magnified in countries in emerging markets, which may have relatively unstable governments and less-established market economies than those of developed countries. Emerging markets may face greater social, economic, regulatory and political uncertainties. These risks make emerging market securities more volatile and less liquid than securities issued in more developed countries.

**Initial Public Offering Risk.** IPO securities have no trading history, and information about the companies may be available for very limited periods. The prices of securities sold in IPOs may be highly volatile and their purchase may involve high transaction costs. At any particular time or from time to time, the Adviser may not be able to invest in securities issued in IPOs on behalf of its clients, or invest to the extent desired, because, for example, only a small portion (if any) of the securities being offered in an IPO may be made available to the Adviser. In addition, under certain market conditions, a relatively small number of companies may issue securities in IPOs. Similarly, as the number of purchasers to which IPO securities are allocated increases, the number of securities issued to the Adviser's clients may decrease. The performance of an account during periods when it is unable to invest significantly or at all in IPOs may be lower than during periods when it is able to do so. In addition, as an account increases in size, the impact of IPOs on the account's performance will generally decrease.

**Model Risk.** Some strategies may include the use of various proprietary quantitative or investment models. Investments selected using models may perform differently than expected as a result of changes from the factors' historical - and predicted future - trends, and technical issues in the implementation of the models, including, for example, issues with data feeds. Moreover, the effectiveness of a model may diminish over time, including as a result of changes in the market and/or changes in the behavior of other market participants. A model's return mapping is based partially on historical data regarding particular economic factors and securities prices. The operation of a model, similar to other fundamental, active investment processes, may result in negative performance, including returns that deviate materially from historical performance, both actual and pro-forma. For a model-driven investment process - and again similar to other, fundamental, and active investment processes, there is no guarantee that the use of models will result in effective investment outcomes for clients.

**LIBOR Discontinuance or Unavailability Risk.** The London Interbank Offering Rate ("LIBOR") is intended to represent the rate at which contributing banks may obtain short-term borrowings from each other in the London interbank market. The U.K. Financial Conduct Authority ("FCA") has publicly announced that certain tenors and currencies of LIBOR will cease to be published or representative of the underlying market and economic reality they are intended to measure on certain future dates; current information about these dates is available at [https://www.jpmorgan.com/disclosures/interbank\\_offered\\_rates](https://www.jpmorgan.com/disclosures/interbank_offered_rates). There is no assurance that the dates announced by the FCA will not change or that the administrator of LIBOR and/or regulators will not take further action that could impact the availability, composition or characteristics of LIBOR or the currencies and/or tenors for which LIBOR is published, and we recommend that you consult your advisers to stay informed of any such developments. Public and private sector industry initiatives are currently underway to implement new or alternative reference rates to be used in place of LIBOR. There is no assurance that any such alternative reference rate will be similar to or produce the same value or economic equivalence as LIBOR or that it will have the same volume or liquidity as did LIBOR prior to its discontinuance or unavailability, which may affect the value or liquidity or return on certain of a fund's or other client account's loans, notes, derivatives and other instruments or investments comprising some or all of a fund's or other client account's portfolio and result in costs incurred in connection with closing out positions and entering into new trades. These risks may also apply with respect to changes in connection with other interbank offering rates (e.g., Euribor) and a wide range of other index levels, rates and values that are treated as "benchmarks" and are the subject of recent regulatory reform.

#### **Primary Risks to Asset-Backed and Derivative Investments**

**Interest Rate Risk.** Fixed income securities increase or decrease in value based on changes in interest rates. If rates increase, the value of these investments generally decline. On the other hand, if rates fall, the value of the investments generally increases. Securities with greater interest rate sensitivity and longer maturities generally are subject to greater fluctuations in value. Variable and floating rate securities are generally less sensitive to interest rate changes than fixed rate instruments, but the value of variable and floating rate securities may decline if their interest rates do not rise as quickly, or as much, as general interest rates. Many factors can cause interest rates to rise. Some examples include central bank monetary policy (such as an interest rate increase by the Federal Reserve), rising inflation rates, and general economic conditions.

**Credit Risk.** There is a risk that issuers and/or counterparties will not make payments on securities and instruments when due or will default completely. Such default could result in losses. In addition, the credit quality of securities and instruments may be lowered if an issuer's or a counterparty's financial condition changes. Lower credit quality may lead to greater volatility in the price of a security or instrument, affect liquidity and make it difficult to sell the security or instrument. Certain strategies may invest in securities or instruments that are rated in the lowest investment grade category. Such securities or instruments are also considered to have speculative characteristics similar to high yield securities, and issuers or counterparties of such securities or instruments are more vulnerable to changes in economic conditions than issuers or counterparties of higher grade securities or instruments. Prices of fixed income securities may be adversely affected and credit spreads may increase if any of the issuers of or counterparties to such investments are subject to an actual or perceived deterioration in their credit quality. Credit spread risk is the risk that economic and market conditions or any actual or perceived credit deterioration of an issuer may lead to an increase in the credit spreads (i.e., the difference in yield between two securities of similar maturity but different credit quality) and a decline in price of the issuer's securities.

**Government Securities Risk.** Some strategies invest in securities issued or guaranteed by the U.S. government or its agencies and instrumentalities (such as the Government National Mortgage Association (Ginnie Mae), the Federal National Mortgage Association (Fannie Mae), or the Federal Home Loan Mortgage Corporation (Freddie Mac). U.S government securities are subject to market risk, interest rate risk and credit risk. Securities, such as those issued or guaranteed by Ginnie Mae or the U.S. Treasury, that are backed by the full faith and credit of the United States are guaranteed only as to the timely payment of interest and principal when held to maturity. Notwithstanding that these securities are backed by the full faith and credit of the United States, circumstances could arise that would prevent the payment of principal and interest. Securities issued by U.S. government related organizations, such as Fannie Mae and Freddie Mac, are not backed by the full faith and credit of the U.S. government and no assurance can be given that the U.S. government will provide financial support.

**Asset-Backed, Mortgage-Related and Mortgage-Backed Securities Risk.** Asset-backed, mortgage-related and mortgage-backed securities differ from conventional debt securities and are subject to certain additional risks because principal is paid back over the life of the security rather than at maturity. The value of mortgage-related and asset-backed securities will be influenced by the factors affecting the property market and the assets underlying such securities. As a result, during periods of difficult or frozen credit markets, significant changes in interest rates, or deteriorating economic conditions, mortgage-related and asset-backed securities may decline in value, face valuation difficulties, be more volatile and/or become illiquid. Since mortgage borrowers have the right to prepay principal in excess of scheduled payments, there is a risk that borrowers will exercise this option when interest rates are low to take advantage of lower refinancing rates. When that happens, the mortgage holder will need to reinvest the returned capital at the lower prevailing yields. This prepayment risk, as well as the risk of a bond being called, can cause capital losses. Conversely, when rates rise significantly, there is a risk that prepayments will slow to levels much lower than anticipated when the mortgage was originally purchased. In this instance, the risk that the life of the mortgage security is extended can also cause capital losses, as the mortgage holder needs to wait longer for capital to be returned and reinvested at higher prevailing yields. In periods of rising interest rates, a portfolio may exhibit additional volatility. Some of these securities may receive little or no collateral protection from the underlying assets and are thus subject to the risk of

default described under “Credit Risk.” The risk of such defaults is generally higher in the case of asset-backed, mortgage-backed, and mortgage-related investments that include so-called “sub-prime” mortgages (which are loans made to borrowers with low credit ratings or other factors that increase the risk of default), credit risk transfer securities and credit-linked notes issued by government-related organizations. The structure of some of these securities may be complex and there may be less available information than other types of debt securities. Additionally, asset-backed, mortgage-related and mortgage-backed securities are subject to risks associated with their structure and the nature of the assets underlying the securities and the servicing of those assets. Certain asset-backed, mortgage-related and mortgage-backed securities may face valuation difficulties and may be less liquid than other types of asset-backed, mortgage-related, and mortgage-backed securities, or debt securities.

**Derivatives Risk.** Certain strategies may use derivatives. Derivatives, including forward currency contracts, futures, options and commodity-linked derivatives and swaps, may be riskier than other types of investments because they may be more sensitive to changes in economic and market conditions, and could result in losses that significantly exceed the investor’s original investment in the derivative. Many derivatives create leverage thereby causing a portfolio to be more volatile than it would have been if it had not been exposed to such derivatives. Derivatives also expose a portfolio to counterparty risk (the risk that the derivative counterparty will not fulfill its contractual obligations), including the credit risk of the derivative counterparty. Certain derivatives are synthetic instruments that attempt to replicate the performance of certain reference assets. With regard to such derivatives, an investor does not have a claim on the reference assets and is subject to enhanced counterparty risk. Derivatives may not perform as expected, so an investor may not realize the intended benefits. When used for hedging, the change in value of a derivative may not correlate as expected with what is being hedged. In addition, given their complexity, derivatives expose an investor to risks of mispricing or improper valuation.

**Fund-of-Funds Strategies Risk.** The investment performance of BSAM client accounts and funds that implement their strategies by investing in underlying funds is directly related to the performance of the underlying funds. There is no assurance that the underlying funds will achieve their investment objectives.

### **Risks That Apply Primarily to Private Equity Investments**

**Risks of Corporate Finance, Venture Capital and Growth Investments.** Investments made in private equity are subject to a variety of special risks, including the risk that the acquiring company has paid too much for the acquired business, the risk of unforeseen liabilities, the risks associated with new or unproven management or new business strategies and the risk that the acquired business will not be successfully integrated with existing businesses or produce the expected synergies.

- Venture and growth companies may be in a conceptual or early stage of development, may not have a proven operating history, and may have products that are not yet developed or ready to be marketed, or may not have an established market.
- Companies may face significant fluctuations in operating results, may need to engage in acquisitions or divestitures of assets to compete successfully or survive financially, may be operating at a loss, may be engaged in a rapidly changing business with products subject to a substantial risk of obsolescence, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position, or otherwise may have a weak financial condition.
- Companies may be highly leveraged and, as a consequence, subject to restrictive financial and operating covenants. The leverage may impair the ability of these companies to finance their future operations and capital needs. As a result, these companies may lack the flexibility to respond to changing business and economic conditions, or to take advantage of business opportunities.

Companies may face intense competition, including competition from companies with far greater financial resources, more extensive development, manufacturing, marketing and other capabilities, and a larger number of qualified managerial and technical personnel.

**Illiquidity of Private Equity Investments.** Investments in private equity funds are highly illiquid, long-term investments. BSAM is limited in its ability to transfer its interests in, or to withdraw from, fund investments on behalf of its funds or client accounts.

The direct investments and fund investments that BSAM invested in on behalf of its clients consists primarily of securities that are subject to restrictions on resale. In addition, other legal, contractual or practical limitations may limit the ability to sell private equity investments. Sales also may be limited by financial market conditions and secondary market conditions which may be unfavorable for sales of securities of particular issuers or issuers in particular markets. These limitations on liquidity of private equity investments could prevent a successful sale or result in the delay of any sale or reduction in the amount of proceeds that might otherwise be realized. Although BSAM periodically performs valuations of fund investments and direct investments, other information concerning the value of the assets may not be available, and it may not be possible to obtain up-to-date valuations at all times.

**Availability of Disposition Opportunities.** BSAM may face difficulties disposing private equity investments as BSAM will often be dependent on the ability of the investment managers of the underlying fund investments, who are not related to or controlled by JPMC, to locate, evaluate, select, manage and dispose of these opportunities.

**Long-term Commitment Required.** A commitment to a fund or client account is typically a long-term investment. The expected term of each closed-ended fund vehicle can generally be up to fifteen years. There is a substantial period of time during which investors in a closed-ended fund vehicle may be obligated to provide capital without receiving any return and regardless of the performance of the funds. Investors should be willing to hold their interests until the liquidation of the closed-ended fund. An open-ended fund generally may draw down the capital commitments of investors at any time during their term. Additionally, certain open-ended funds may be relatively illiquid over an extended period of time and in these cases investors will be required to bear the financial risk of their investment for such time.

**Lack of Control by Investors.** Investors generally will not have the ability to select, veto or cause the sale or other disposition of any investments by the funds or client accounts or to determine the timing of any takedown, distribution or liquidation of the funds in which a client invests directly or indirectly.

**Carried Interest and Other Fees Allocated or Payable to JPMC and Third Party Managers.** The Adviser or an Affiliate may receive carried interest or performance fees in connection with managing BSAM client accounts. In addition, to the extent a BSAM client account invests in other investment funds, the general partners or managers of such funds typically will receive a carried interest or performance fee based on a percentage of realized net profits. Certain direct investments made by BSAM client accounts may also be subject to a carried interest or performance fee. The carried interest allocated to the Adviser or an Affiliate, and the carried interest or performance fee payable to managers underlying investments, if any, may create an incentive for the Adviser and such managers to make investments that are riskier or more speculative than would be the case in the absence of such compensation arrangements. Moreover, the carried interest or performance fee and any other fees payable to such managers indirectly is paid by investors in the BSAM client accounts, as applicable, and reduces the return that ultimately would be payable to investors in such funds or to such accounts. To the extent a BSAM client account invests in a consortium or joint venture, the general partners, managers or promoters of such investments may receive a carried interest or performance fee based on a percentage of ongoing investment performance and/or realized net profits of such investment. The carried interest or performance fee and any other fees payable to such general partners, managers or promoters is paid by investors in BSAM client account, as applicable, and reduces the return that ultimately would be payable to investors in such funds or to such accounts.



**Illiquidity; Restrictions on Transfer and Withdrawal.** An investment in BSAM strategies are highly illiquid. Except in certain very limited circumstances investors will not be permitted to transfer their interests without the prior written consent of the general partner of the relevant fund, which may be granted or withheld in its sole discretion. The transferability of interests in the funds also is subject to certain restrictions contained in the funds' constitutive documents and restrictions on resale imposed under applicable securities laws.

**Penalty for Default.** An investor that defaults in any payment with respect to its capital commitment to a fund may be subject to substantial penalties, which could include for each event of default a reduction in its interest in such fund corresponding to a reduction in its capital contributions by a substantial percentage (but not below zero).

**Diversification Risk.** Each BSAM client account may make only a limited number of investments and, as a consequence, the aggregate return on investments may be substantially adversely affected by the unfavorable performance of one or a small number of the investments.

### **C. Risks Associated with Particular Types of Securities**

See Item 8.B, Material, Significant, or Unusual Risks Related to Investment Strategies for a summary of the risks associated with certain types of securities and asset classes.

## **ITEM 9**

### **Disciplinary Information**

#### **A. Criminal or Civil Proceedings**

The Adviser has no material civil or criminal actions to report.

#### **B. Administrative Proceedings Before Regulatory Authorities**

The Adviser has no material proceedings before regulatory authorities to report.

#### **C. Self-Regulatory Organization Proceedings**

The Adviser has no material SRO disciplinary proceedings to report.

## **ITEM 10**

### **Other Financial Industry Activities and Affiliations**

#### **A. Broker-Dealer Registration Status**

BSAM is not a registered broker-dealer; however, certain of BSAM's "Management Persons" (as defined in Key Terms) are registered with the Financial Industry Regulatory Authority ("FINRA") as representatives of J.P. Morgan Institutional Investments Inc., an affiliated broker-dealer.

**B. Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Adviser Registration Status**

Although BSAM is not registered with the Commodity Futures Trading Commission ("CFTC") or a member of the National Futures Association ("NFA"), certain of BSAM's Management Persons are registered with the NFA as associated persons and swap associated persons of an Affiliate.

**C. Material Relationships or Arrangements with Affiliated Entities**

BSAM is a wholly-owned subsidiary of The Bear Stearns Companies LLC, which is a subsidiary of JPMC. The Adviser has certain relationships or arrangements with related persons that are material to its advisory business or its clients. Below is a description of such relationships and some of the conflicts of interest that arise from them. The Adviser has adopted policies and procedures reasonably designed to appropriately prevent, limit, or mitigate conflicts of interest that may arise between the Adviser and its Affiliates. These policies and procedures include information barriers designed to prevent the flow of information between the Adviser and certain other Affiliates, as more fully described below. For a more complete discussion of the conflicts of interest and corresponding controls designed to prevent, limit or mitigate conflicts of interests, please see Item 11.B, Participation or Interest in Client Transactions and Other Conflicts of Interest.

**Broker-Dealers*****J.P. Morgan Securities LLC ("JPMS")***

JPMS, an Affiliate, is a FINRA member and is dually registered as a broker-dealer and an investment adviser with the SEC. JPMS is also registered as a Futures Commission Merchant with the CFTC. BSAM may pay compensation to JPMS for brokerage services. BSAM has a revenue sharing arrangement with JPMS for the Access Funds Program.

JPMS also serves as placement agent of certain private investment funds. Typically, JPMS does not receive placement fees from such funds but receives fees directly from the Adviser and from certain investors subscribing for interests in such funds. These fees are typically in addition to the cost of the investors' subscription amounts.

JPMC, by virtue of its indirect interest in the Adviser, indirectly benefits from the services of placement agents when placement agents place interests which lead to an increase in assets upon which the Adviser receives fees from the funds. In addition, the potential for placement agents affiliated with JPMC, and for JPMC itself, to receive (directly or indirectly) compensation in connection with certain investors' subscriptions for private funds creates a conflict of interest in recommending investments in such funds. The remuneration relating to sales of interests in private investment funds managed by the Adviser from time to time will be greater than that of other products that placement agents might offer on behalf of JPMC or other Sponsors. In such circumstances, the placement agents will have an incentive to recommend and offer interests in funds managed by the Adviser to their clients.

In addition, BSAM is part of a large financial services firm. In connection with providing investment advisory services to its clients, BSAM may use the products or services of its affiliates or other related persons, as described below.

**Other Investment Advisers**

J.P. Morgan Investment Management Inc., an affiliated investment adviser registered with the SEC, is listed as a Related Adviser in Item 2.A of Part 1A of the BSAM Form ADV. J.P. Morgan Investment Management Inc. and BSAM share supervised persons and Management Persons and are located at the same principal office and place of business.

#### Banking or Thrift Institution

JPMC, the Adviser's parent company is a public company that is a bank holding company registered with the Board of Governors of the Federal Reserve System (the "Federal Reserve"). JPMC is subject to supervision and regulation by the Federal Reserve and is subject to certain restrictions imposed by the BHCA and related regulations. For a more complete discussion of the BHCA's restrictions that may apply to the Adviser's activities please refer to Item 8.B, Material, Significant, or Unusual Risks Relating to Investment Strategies - General Portfolio Risks - Regulatory Risk.

JPMCB is a national banking association affiliated with the Adviser. JPMCB is subject to supervision and regulation by the U.S. Department of Treasury's Office of the Comptroller of the Currency. JPMCB is also an Exempt Commodity Pool Operator and Exempt Commodity Trading Adviser with the CFTC. JPMCB provides investment management, trustee, custody, and other services to institutional clients. Certain personnel of the Adviser are also officers of JPMCB and provide portfolio management and other services to bank-sponsored collective investment trust funds established and maintained by JPMCB, private funds or separately managed accounts managed by JPMCB. In such cases, the Adviser coordinates portfolio management and trading activities among its clients and clients of JPMCB.

Certain functions, such as human resources, legal, compliance, IT, and risk management, are provided through JPMAM and/or JPMC as shared functions across all of its geographical entities.

#### Sponsor or Syndicator of Partnerships

From time to time, the Adviser or its related persons may act as a general partner, special limited partner of a limited partnership or managing member or special member of a limited liability company to which the Adviser serves as an adviser, sub-adviser or provides other services.

#### **Additional Related Persons**

##### Service Providers in Which the Adviser Holds an Interest

JPMC and its Affiliates own interests in electronic communication networks and alternative trading systems (collectively "ECNs"), although these interests are not significant enough to cause the ECNs to be designated as an Affiliate of the Adviser. The Adviser from time to time executes client trades through ECNs in which JPMC and its Affiliates hold an interest. In such cases, an Affiliate will be indirectly compensated proportionate to its ownership interest. The Adviser will only execute a trade through an ECN in which an Affiliate holds an interest when the Adviser reasonably believes it to be in the best interests of clients and the requirements of applicable law have been satisfied. The Adviser may also execute foreign currency transactions using ECNs in which an Affiliate may have an equity interest. As discussed in further detail in Item 12, Brokerage Practices, the Adviser strives to ensure that transactions with Affiliates and related persons are subject to the Adviser's duty of seeking best execution for its clients.

#### **Considerations Relating to Information Held by the Adviser and Its Affiliates**

JPMAM maintains various types of internal information barriers and other policies that are designed to prevent certain information from being shared or transmitted to other business units within JPMAM, J.P. Morgan Wealth Management, and within JPMC more broadly. The Adviser relies on these information barriers to protect the integrity of its investment process and to comply with fiduciary duties and regulatory



obligations. The Adviser also relies upon these barriers to mitigate potential conflicts, to preserve confidential information and to prevent the inappropriate flow of material, non-public information ("MNPI") and confidential information to and from the Adviser, to other public and private JPMC lines of business, and between the Adviser's sub-lines of business. MNPI is information not generally disseminated to the public that a reasonable investor would likely consider important in making an investment decision. This information is received voluntarily and involuntarily and under varying circumstances, including, but not limited to, upon execution of a non-disclosure agreement, as a result of serving on the board of directors of a company, serving on ad hoc or official creditors' committees and participation in risk, advisory or other committees for various trading platforms, clearinghouses and other market infrastructure related entities and organizations. The Adviser's information barriers include: (1) written policies and procedures to limit the sharing of MNPI and confidential information on a need to know basis only, and (2) various physical, technical, and procedural controls to safeguard such information.

As a result of information barriers, the Adviser generally will not have access, or will have limited access, to information and personnel in other areas of JPMC, and generally will not manage the client accounts and funds with the benefit of information held by these other areas. As described above, information barriers also exist between certain businesses within the Adviser. There may be circumstances in which, as a result of information held by certain portfolio management teams, the Adviser limits an activity or transaction for certain client accounts or funds, including client accounts or funds managed by portfolio management teams other than the team holding such information.

For additional information regarding restrictions on trading on MNPI and potential related conflicts of interest, please see Item 11.A, Code of Ethics and Personal Trading and Item 11.B, Participation or Interest in Client Transactions and Other Conflicts of Interest.

#### **D. Material Conflicts of Interest Relating to Other Investment Advisers**

As described in Item 10.C above, with respect to certain client accounts, the Adviser delegates some or all of its responsibilities as adviser to other affiliated advisers. The Adviser typically compensates other affiliated advisers out of the advisory fees or incentive compensation it receives from the relevant fund or client account or otherwise shares such advisory fees or incentive compensation with such affiliated advisers.

### **ITEM 11**

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

##### **A. Code of Ethics and Personal Trading**

BSAM and its registered investment adviser Affiliates have adopted the JPMAM Code of Ethics (the "Code of Ethics") pursuant to Rule 204A-1 under the Advisers Act. The Code of Ethics is designed to ensure that BSAM employees comply with applicable federal securities laws and place the interests of clients first in conducting personal securities transactions. The Code of Ethics imposes certain restrictions on securities transactions in the personal accounts of covered persons to help avoid or mitigate conflicts of interest, as described more fully below. A copy of the Code of Ethics is available free of charge to any client upon request by contacting your client service representative or financial adviser.

The Code of Ethics contains policies and procedures relating to:

- Account holding reports, personal trading, including reporting and pre-clearance requirements for all employees of the Adviser;

- Confidentiality obligations to clients set forth in the JPMC privacy notices;
- Employee conflicts of interest, which includes guidance relating to restrictions on trading on MNPI, gifts and entertainment, political and charitable contributions and outside interests; and
- Escalation guidelines for reporting Code of Ethics violations.

In general, the personal trading rules under the Code of Ethics require that accounts of employees and associated persons be maintained with an approved broker and that all trades in reportable securities for such accounts be pre-cleared and monitored by compliance personnel. The Code of Ethics also prohibits certain types of trading activity, such as short-term and speculative trades. Employees of the Adviser must obtain approval prior to engaging in all covered security transactions, including those issued in private placements. In addition, certain employees of the Adviser are not permitted to buy or sell securities issued by JPMC during certain periods throughout the year. Certain "Access Persons" (defined as persons with access to non-public information regarding the Adviser's recommendations to clients, purchases, or sales of securities for client accounts and advised funds) are prohibited from executing personal trades in a security or similar instrument five business days before and after a client or fund managed by that Access Person transacts in that security or similar instrument. In addition, Access Persons are required to disclose household members, personal security transactions and holdings information. These disclosure obligations and restrictions are designed to mitigate conflicts of interest that may arise if Access Persons transact in the same securities as advisory clients.

Additionally, all BSAM employees are subject to the JPMC firm-wide policies and procedures including those found in the JPMC Code of Conduct (the "Code of Conduct"). The Code of Conduct sets forth restrictions regarding confidential and proprietary information, information barriers, private investments, outside interests and personal trading. All JPMC employees, including BSAM employees, are required to familiarize themselves, comply, and attest annually to their compliance with provisions of the Code of Conduct's terms as a condition of continued employment.

## **B. Participation or Interest in Client Transactions and Other Conflicts of Interest**

### **JPMC Acting in Multiple Commercial Capacities**

JPMC is a diversified financial services firm that provides a broad range of services and products to its clients and is a major participant in the global currency, equity, commodity, fixed-income and other markets in which the Adviser's client accounts invest or may invest. JPMC is typically entitled to compensation in connection with these activities and the Adviser's clients will not be entitled to any such compensation. In providing services and products to clients other than the Adviser's clients, JPMC, from time to time, faces conflicts of interest with respect to activities recommended to or performed for the Adviser's client on one hand and for JPMC's other clients on the other hand. For example, JPMC has, and continues to seek to develop banking and other financial and advisory relationships with numerous U.S. and non-U.S. persons and governments. JPMC also advises and represents potential buyers and sellers of businesses worldwide. The Adviser's client accounts have invested in, or may wish to invest in, such entities represented by JPMC or with which JPMC has a banking, advisory or other financial relationship. In addition, certain clients of JPMC, including the Adviser's clients, may invest in entities in which JPMC holds an interest, including a JPMorgan Affiliated Fund. In providing services to its clients and as a participant in global markets, JPMC from time to time recommends or engages in activities that compete with or otherwise adversely affect an Adviser's client account or its investments. It should be recognized that such relationships can preclude the Adviser's clients from engaging in certain transactions and can also restrict investment opportunities that may be otherwise available to the Adviser's clients. For example, JPMC is often engaged by companies as a financial adviser, or to provide financing or other services, in connection with commercial transactions that are potential investment opportunities for the Adviser's clients. There are circumstances in which advisory accounts are precluded from participating in

such transactions as a result of JPMC's engagement by such companies. JPMC reserves the right to act for these companies in such circumstances, notwithstanding the potential adverse effect on the Adviser's clients. In addition, JPMC derives ancillary benefits from providing investment advisory, custody, administration, prime brokerage, transfer agency, fund accounting and shareholder servicing and other services to the Adviser's clients, and providing such services to the Adviser's clients may enhance JPMC's relationships with various parties, facilitate additional business development and enable JPMC to obtain additional business and generate additional revenue. For example, allocating a client account's or a certain JPMorgan Affiliated Fund's assets to a third-party private investment fund or product enhances JPMC's relationship with such third-party investment fund or product and their affiliates and could facilitate additional business development or enable JPMC or the Adviser to obtain additional business and generate additional revenue.

The following are descriptions of certain additional conflicts of interest and potential conflicts of interest that may be associated with the financial or other interests that the Adviser and JPMC may have in transactions effected by, with, or on behalf of its clients. In addition to the specific mitigants described further below, the Adviser has adopted policies and procedures reasonably designed to prevent, limit or mitigate conflicts of interest. In addition, many of the activities that create these conflicts of interest are limited and/or prohibited by law, unless an exception is available.

*JPMC Service Providers and Its Relationships with Issuers of Debt or Equity Instruments in Client Portfolios*

JPMC or the Adviser's related persons provide financing, consulting, investment banking, management, custodial, transfer agency, shareholder servicing, treasury oversight, administration, distribution, underwriting, including participating in underwriting syndicates, brokerage (including prime brokerage) or other services to, and receive customary compensation from, an issuer of equity or debt securities held by client accounts or JPMorgan Affiliated Funds managed by the Adviser or the portfolio companies in which such accounts or funds invest. These relationships generate revenue to JPMC and could influence the Adviser in deciding whether to select or recommend such investment funds, products or companies for investments by client accounts or JPMorgan Affiliated Funds, in deciding how to manage such investments, and in deciding when to realize such investments. For example, JPMC earns compensation from private investment funds or their sponsors or investment products for providing certain services, and the Adviser has an incentive to favor such funds or products over other funds or products with which JPMC has no relationship when investing on behalf of, or recommending investments to, client accounts or JPMorgan Affiliated Funds because such investments potentially increase JPMC's overall revenue. In providing these services, JPMC could also act in a manner that is detrimental to a client account or JPMorgan Affiliated Fund, such as when JPMC is providing financing services and it determines to close a line of credit to, to not extend credit to, or to foreclose on the assets of, an investment vehicle or a portfolio company in which a client account or JPMorgan Affiliated Fund invests, or when JPMC advises a client and such advice is adverse to a client account or JPMorgan Affiliated Fund. Any fees or other compensation received by JPMC in connection with such activities will not be shared with the Adviser's clients. Such compensation could include financial advisory fees, monitoring fees, adviser fees or fees in connection with restructurings or mergers and acquisitions, as well as underwriting or placement fees, financing or commitment fees, trustee fees and brokerage fees.

*Conflicts Related to Advisers and Service Providers*

Certain advisers or service providers to clients managed by the Adviser (including investment advisers, accountants, administrators, lenders, bankers, brokers, attorneys, consultants and investment or commercial banking firms) provide goods or services to, or have business, personal, financial or other relations with JPMC and/or the Adviser, their Affiliates, advisory clients and portfolio companies. Such advisers and service providers may be clients of JPMC and the Adviser, sources of past investment opportunities, co-investors or commercial counterparties or entities in which JPMC has an investment. Additionally, certain employees of JPMC or the Adviser could have family members or relatives employed

by such advisers and service providers. These relationships could have the appearance of affecting or potentially influencing the Adviser in deciding whether to select or recommend such advisers or service providers to perform services for its clients or investments held by such clients (the cost of which will generally be borne directly or indirectly by such clients).

In addition, JPMC has entered into arrangements with service providers that include fee discounts for services rendered to JPMC. For example, certain law firms retained by JPMC discount their legal fees based upon the type and volume of services provided to JPMC. The cost of legal services paid by the Adviser's clients is separately negotiated and is not included in the negotiation or calculation of the JPMC rate and, as a result, the fees that are charged to the clients typically reflect higher billing rates. In the event that legal services are provided jointly to JPMC and a client with respect to a particular matter, the client and JPMC will each bear their pro-rata share of the cost of such services which may reflect the JPMC discount or a higher rate, depending on the facts and circumstances of the particular engagement.

#### *Investment Services Provided to Competitors by JPMC*

JPMC could provide investment banking services to competitors of the Adviser's clients with respect to existing investments held by such clients or with respect to certain investments that the Adviser's client considered. Such activities will present JPMC with a conflict of interest vis-à-vis the Adviser's client's investment and may also result in a conflict with respect to the allocation of resources to those entities.

#### *Restrictions Relating to JPMC Directorships/Affiliations*

Additionally, from time to time, directors, officers and employees of JPMC, serve on the board of directors or hold another senior position with a corporation, investment fund manager or other institution which may desire to sell an investment to, acquire an investment from or otherwise engage in a transaction with, the Adviser's clients. The presence of such persons in such circumstances may require the relevant person to recuse himself or herself from participating in the transaction, or cause the Adviser, corporation, investment fund manager or other institution to determine that it (or its client) is unable to pursue the transaction because of a potential conflict of interest. In such cases, the investment opportunities available to the Adviser's clients and the ability of such clients to engage in transactions or retain certain investments or assets will be limited.

In connection with investments on behalf of funds or clients, the Adviser may receive representation on an Unaffiliated Fund or portfolio company's board of directors, advisory committee or another similar group, and may participate in general operating activities. Applicable securities laws and internal policies of the Adviser could limit the ability of employees of the Adviser to serve on such boards or committees. If employees of the Adviser serve on a board or committee of an Unaffiliated Fund or portfolio company, such persons may have conflicts of interest in their duties as members of such board or committee and as employees of the Adviser. In addition, such persons and such funds or clients will likely be subject to certain investment and trading limitations if such persons receive MNPI in connection with serving on such boards or committees.

### **Proprietary Investments by the Adviser and/or its Related Persons**

#### *Proprietary Investments - Employees' Investments in JPM Private Funds*

Certain employees of the Adviser or affiliates, and investment vehicles formed to facilitate investments by the employees, are permitted to invest directly or indirectly in pooled vehicles managed by the Adviser and they may benefit from the investment performance of those pooled vehicles. Employees' investments in private placements or other securities must be pre-cleared. JPMAM compliance is responsible for reviewing these pre-clearance requests and monitoring the activities of employees holding such positions for conformity with BSAM policies.

The Volcker Rule prohibits or limits the ability of the Adviser and its related persons to engage in certain of these activities. For a more complete discussion of the Volcker Rule's restrictions please refer to Item 8.B, Regulatory Risk.

#### *Investments in Direct Private Equity Offerings*

The Adviser on behalf of its advisory clients may have invested in direct private equity offerings which involve the Adviser's related persons who are participants in the offering or who provide services to or receive services from the issuer or other parties in the offering. Clients of the Adviser will from time to time participate in the same offering as related persons. This participation may be at the same price or a higher or lower price as the related persons and related persons may sell their equity position prior to or after the Adviser's clients at a higher price or lower price than the Adviser's clients. In addition, a conflict of interest exists when the Adviser and the Adviser's clients invest in different instruments or classes of securities than related persons as described below in "Investments in Different Parts of an Issuer's Capital Structure". To identify and mitigate potential conflicts of interest arising from such activities, the Adviser has created a process for direct investing which includes a review with JPMC's conflicts office.

#### **Sub-Advisory Relationships**

The Adviser engages affiliated and/or unaffiliated sub-advisers for certain investment vehicles. The Adviser typically compensates sub-advisers out of the advisory fees it receives from the vehicle, which creates an incentive for the Adviser to select sub-advisers with lower fee rates or to select affiliated sub-advisers. In addition, the sub-advisers have interests and relationships that create actual or potential conflicts of interest related to their management of the assets of such investment vehicle. Such conflicts of interest may be similar to, different from or supplement those conflicts described herein relating to JPMC and the Adviser.

#### **JPMC's Policies and Regulatory Restrictions Affecting Client Accounts and Funds**

As part of a global financial services firm, the Adviser may be precluded from effecting or recommending transactions in certain client portfolios and may restrict its investment decisions and activities on behalf of its clients as a result of applicable law, regulatory requirements and/or other conflicts of interest, information held by the Adviser or JPMC, the Adviser's and/or JPMC's roles in connection with other clients and in the capital markets and JPMC's internal policies and/or potential reputational risk. As a result, client portfolios managed by the Adviser may be precluded from acquiring, or disposing of, certain securities or instruments at any time. This includes the securities issued by JPMC. However, with respect to voting proxies on behalf of the Adviser's clients, the Adviser, as a fiduciary, will vote proxies independently and in the best interests of its clients, as described in Item 17.

In addition, potential conflicts of interest also exist when JPMC maintains certain overall investment limitations on positions in securities or other financial instruments due to, among other things, investment restrictions imposed upon JPMC by law, regulation, contract, or internal policies. These limitations have precluded and, in the future could preclude, certain accounts managed by the Adviser and affiliates from purchasing particular securities or financial instruments, even if the securities or financial instruments would otherwise meet the investment objectives of such accounts. For example, there are limits on the aggregate amount of investments by affiliated investors in certain types of securities within a particular industry group that may not be exceeded without additional regulatory or corporate consent. If such aggregate ownership thresholds are reached, the ability of a client to purchase or dispose of investments, or exercise rights or undertake business transactions, will be restricted.

Potential conflicts of interest may also arise as a result of the Adviser's current policy to endeavor to manage its clients' portfolios so that the various requirements and liabilities imposed pursuant to Section 16 of the Securities Exchange Act of 1934 ("Section 16" and the "Exchange Act", respectively) are not triggered. Section 16 applies, inter alia, to "beneficial owners" of 10% or more of any security subject to



reporting under the Exchange Act. In addition to certain reporting requirements, Section 16 also imposes on such “beneficial owner” disgorgement requirement of “short-swing” profits deriving from purchase and sale or sale and purchase of the security, executed within a six-month period. The Adviser may be deemed to be a “beneficial owner” of securities held by its advisory clients. Consequently, and given the potential ownership level of the various Adviser’s accounts and funds managed for its clients, the Adviser may limit the amount, or alter the timing, of purchases or sales of securities, in order not to trigger the foregoing requirements. That means that certain contemplated transactions that otherwise would have been consummated by the Adviser on behalf of its clients may not take place, may be limited in their size or may be delayed.

The Adviser is not permitted to use MNPI in effecting transactions in public securities. The receipt of MNPI may give rise to a potential conflict of interest since the Adviser may be prohibited from rendering investment advice to clients regarding the public securities of such issuer and thereby potentially limiting the Adviser’s ability to sell such securities. Similarly, where the Adviser declines access to (or otherwise does not receive or share within the Firm) MNPI regarding an issuer, the Adviser may base its investment decisions with respect to assets of such issuer solely on public information, thereby limiting the amount of information available to the Adviser in connection with such investment decisions. In determining whether or not to elect to receive MNPI, the Adviser will endeavor to act fairly to its clients as a whole.

Furthermore, the Adviser has adopted policies and procedures reasonably designed to ensure compliance generally with economic and trade sanctions-related obligations applicable directly to its activities (although such obligations are not necessarily the same obligations that its clients may be subject to). Such economic and trade sanctions prohibit, among other things, transactions with and the provision of services to, directly or indirectly, certain countries, territories, entities and individuals. These economic and trade sanctions, and the application by the Adviser of its compliance policies and procedures in respect thereof, may restrict or limit an advisory account’s investment activities. In addition, JPMC from time to time subscribes to or otherwise elects to become subject to investment policies on a firm-wide basis, including policies relating to environmental, social and corporate governance. The Adviser may also limit transactions and activities for reputational or other reasons, including when JPMC is providing (or may provide) advice or services to an entity involved in such activity or transaction, when JPMC or a client is or may be engaged in the same or a related activity or transaction to that being considered on behalf of the advisory account, when JPMC or another account has an interest in an entity involved in such activity or transaction, or when such activity or transaction on behalf of or in respect of the advisory account could affect JPMC, the Adviser, their clients or their activities. JPMC may become subject to additional restrictions on its business activities that could have an impact on the Adviser’s client accounts activities. In addition, the Adviser may restrict its investment decisions and activities on behalf of particular advisory accounts and not other accounts.

### **Investing in Securities which the Adviser or a Related Person Has a Material Financial Interest**

#### *Recommendation or Investments in Securities that the Adviser or Its Related Persons may also Purchase or Sell*

The Adviser and its related persons may have recommended or invested in securities on behalf of its clients that the Adviser and its related persons may also have purchased or sold. As a result, positions taken by the Adviser and its related persons may be the same as or different from, or made contemporaneously or at different times than, positions taken for clients of the Adviser and its related persons. As these situations involve actual or potential conflicts of interest, the Adviser has adopted policies and procedures relating to personal securities transactions, insider trading and other ethical considerations. These policies and procedures are intended to identify and mitigate actual and perceived conflicts of interest with clients and to resolve such conflicts appropriately if they do occur. The policies and procedures contain provisions regarding pre-clearance of employee trading, reporting requirements and supervisory procedures that are designed to address potential conflicts of interest with respect to the activities and relationships of related persons that might interfere or appear to interfere with making

decisions in the best interest of clients, including the prevention of front-running. In addition, the Adviser has implemented monitoring systems designed to ensure compliance with these policies and procedures.

#### *JPMC's Proprietary Investments*

The Adviser, JPMC, and any of their directors, partners, officers, agents or employees, also buy, sell, or trade securities for their own accounts or the proprietary accounts of the Adviser and/or JPMC. The Adviser and/or JPMC, within their discretion, may make different investment decisions and take other actions with respect to their proprietary accounts than those made for client accounts, including the timing or nature of such investment decisions or actions. The proprietary activities, investments or portfolio strategies of the Adviser and/or JPMC give rise to a conflict of interest with the transactions and strategies employed by the Adviser on behalf of its clients and affect the prices and availability of the investment opportunities in which the Adviser invests on behalf of its clients. Further, the Adviser is not required to purchase or sell for any client account securities that it, JPMC, and any of their employees, principals, or agents may purchase or sell for their own accounts or the proprietary accounts of the Adviser, or JPMC. The Adviser, JPMC, and their respective directors, officers and employees face a conflict of interest as they will have income or other incentives to favor their own accounts or the proprietary accounts of the Adviser or JPMC.

Affiliates of the Adviser hold interests in the securities issued by some or all of the CDO funds for which the Adviser serves as collateral manager, arising from transactions that occurred before JPMC acquired the Adviser's parent company in March of 2008. In connection with the liquidation of the funds, the Adviser may be required to consent to or choose among various alternative proposals. Providing consent to a liquidation or choosing among the different alternatives may have different economic consequences to the investors in the fund. In such a circumstance, the Adviser may face a conflict of interests between the interests of the unaffiliated investors in the fund and the interests of the Adviser's Affiliates.

#### **Conflicts Related to the Advising of Multiple Accounts**

Certain portfolio managers of the Adviser may manage multiple client accounts or investment vehicles. These portfolio managers are not required to devote all or any specific portion of their working time to the affairs of any specific clients. Conflicts of interest do arise in allocating management time, services or functions among such clients, including clients that may have the same or similar type of investment strategies. The Adviser addresses these conflicts by disclosing them to clients and through its supervision of portfolio managers and their teams. Responsibility for managing the Adviser's client portfolios is organized according to investment strategies within asset classes. Generally, client portfolios with similar strategies are managed by portfolio managers in the same portfolio management group using the same or similar objectives, approach and philosophy. Therefore, portfolio holdings, relative position sizes, industry and sector exposures generally tend to be similar across client portfolios with similar strategies. However, the Adviser faces conflicts of interest when the Adviser's portfolio managers manage accounts with similar investment objectives and strategies. Once held by a client, certain investments compete with other investments held by other clients of the Adviser. The conflict associated with managing assets on behalf of different clients that compete with each other are heightened when the Adviser retains certain management, control or consent rights over such assets. BSAM has controls in place to monitor and mitigate these potential conflicts of interest. See Conflicts Related to Allocation and Aggregation below for further details on this subject.

#### *Conflicts of Interest Created by Contemporaneous Trading*

Positions taken by a certain client account may also dilute or otherwise negatively affect the values, prices or investment strategies associated with positions held by a different client account. For example, this may occur when investment decisions for one client are based on research or other information that is also used to support portfolio decisions by the Adviser for a different client following different investment strategies or by an Affiliate of the Adviser in managing its clients' accounts. When a portfolio decision or

strategy is implemented for an account ahead of, or contemporaneously with, similar portfolio decisions or strategies for the Adviser's or an Affiliate's other client (whether or not the portfolio decisions emanate from the same research analysis or other information), market impact, liquidity constraints, or other factors could result in one account being disadvantaged or receiving less favorable investment results than the other account, and the costs of implementing such portfolio decisions or strategies could be increased.

In addition, it may be perceived as a conflict of interest when activity in one account closely correlates with the activity in a similar account, such as when a purchase by one account increases the value of the same securities previously purchased by another account, or when a sale in one account lowers the sale price received in a sale by a second account.

#### *Investments in Different Parts of an Issuer's Capital Structure*

A conflict could arise when JPMC or one or more client accounts invest in different instruments or classes of securities of the same issuer than those in which other clients invest. In certain circumstances, JPMC or one or more client accounts that have different investment objectives could pursue or enforce rights with respect to a particular issuer in which other clients of the Adviser or JPMC have also invested. These activities are adverse to the interests of such other clients, and transactions for a client account will be impaired or effected at prices or terms that are less favorable than would otherwise have been the case had a particular course of action with respect to the issuer of the securities not been pursued with respect to such other client account or JPMC. For example, if JPMC or a client of the Adviser holds debt instruments of an issuer and another client holds equity securities of the same issuer, and the issuer experiences financial or operational challenges, JPMC acting on behalf of itself or the client who holds the debt instrument may seek a liquidation of the issuer, whereas the other client who holds the equity securities may prefer a reorganization of the issuer. In addition, an issuer in which a client invests may use the proceeds of the client's investment to refinance or reorganize its capital structure which could result in repayment of debt held by JPMC or another client. If the issuer performs poorly following such refinancing or reorganization, the client's results will suffer whereas JPMC's and/or the other client's performance will not be affected because JPMC and the other client no longer have an investment in the issuer. Conflicts are magnified with respect to issuers that become insolvent. It is possible that in connection with an insolvency, bankruptcy, reorganization, or similar proceeding, a client will be limited (by applicable law, courts or otherwise) in the positions or actions it will be permitted to take due to other interests held or actions or positions taken by JPMC. In certain instances, personnel of JPMC may obtain information about an issuer that is material to the management of a client account and that will at times limit the ability of personnel of the Adviser to buy or sell securities of the issuer on behalf of a client. The results of the investment activities for a client's account may differ, at times significantly, from the results achieved by JPMC or by the Adviser for other client accounts.

#### *Conflicts Related to Allocation and Aggregation*

Potential conflicts of interest also arise involving both the aggregation of trade orders and allocation of securities transactions or investment opportunities. Allocations of aggregated trades, particularly trade orders that were only partially filled due to limited availability, and allocation of investment opportunities raise a potential conflict of interest because the Adviser has an incentive to allocate trades or investment opportunities to certain accounts or funds.

The Adviser has established policies, procedures and practices to manage allocation and aggregation conflicts. The Adviser's allocation and order aggregation practices are designed to achieve a fair and equitable allocation and execution of investment opportunities among its client accounts over time, and these practices are designed to comply with securities laws and other applicable regulations. See Item 12.B, Order Aggregation for a complete description of the Adviser's allocation and aggregation practices.

#### *Side Letters; Preferential Terms*



The Adviser, on its own behalf or on behalf of a fund, from time to time enters into side letters or other similar agreements with investors in connection with their admission to the fund without the approval of any other investor. The side letters or other similar agreements have the effect of establishing rights under, altering or supplementing the terms of the governing documents of the fund with respect to one or more such investors in a manner more favorable to such investors than those applicable to other investors. Such rights or terms in any such side letter typically include, one or more of the following: (i) fee and other economic arrangements with respect to such investor, including, but not limited to, reductions, modifications or waivers of fees and expense caps or partial or total reimbursement or rebate of certain fees, charges, and/or expenses; (ii) excuse or exclusion rights applicable to particular investments or withdrawal or transfer rights from the investment vehicle, including as a result of an investor's specific policies or certain violations of federal, state or non-U.S. laws, rules or regulations, such as so-called "pay-to-play" rules with respect to public pension plan investors, (which may materially increase the percentage interest of other investors in, and their contribution obligations, for future investments and expenses, and reduce the overall size of the fund); (iii) additional or modified reporting obligations of the Adviser (or similar managing fiduciary) or other enhanced information or notice rights for certain investors; (iv) waiver of certain confidentiality obligations, including where certain disclosures are required by federal or state "sunshine" laws; (v) prior consent of the Adviser (or similar managing fiduciary) to certain transfers by such investor; (vi) special rights with respect to co-investment allocation and participation; (vii) rights or terms necessary in light of particular legal, regulatory or policy characteristics of an investor; (viii) potential mandatory waivers of compensation as a result of certain violations of law with regard to public pension plan investors; (ix) additional obligations and restrictions of the Adviser (or similar managing fiduciary) with respect to the structuring of any particular investment in light of the legal, tax and regulatory considerations of particular investors; (x) agreements to assist with the taking or defending of tax positions; and (xi) certain obligations and restrictions on the applicable general partner (or similar managing fiduciary) with respect to the exercise of its discretion on certain matters, including amendments, exercising default remedies and waiving confidentiality or terms.

### **Potential Conflicts Relating to Valuation**

There is an inherent conflict of interest where the Adviser or its Affiliate values securities or assets in client accounts or provides any assistance in connection with such valuation and the Adviser is receiving a fee based on the value of such assets. Overvaluing certain positions held by clients will inflate the value of the client assets as well as the performance record of such client accounts which would likely increase the fees payable to the Adviser. As a result, there may be circumstances where the Adviser is incentivized to determine valuations that are higher than the actual fair value of investments.

Certain units within JPMC may assign a different value to identical assets than the Adviser because these units may have certain information regarding valuation techniques and models or other information relevant to the valuation of a specific asset or category of assets, which they do not share with the Adviser. The various lines of business within the Adviser typically will be guided by specific policies and requirements with respect to valuation of client holdings. Such policies may include valuations that are provided by third-parties, when appropriate, as well as comprehensive internal valuation methodologies.

On occasion, the Adviser utilizes the services of affiliated pricing vendors for assistance with the pricing of certain securities. In addition, securities for which market quotations are not readily available, or are deemed to be unreliable, are fair valued in accordance with established policies and procedures. Fair value situations could include, but are not limited to:

- A significant event that affects the value of a security;
- Illiquid securities;
- Securities that have defaulted or are de-listed from an exchange and are no longer trading; or

- Any other circumstance in which it is determined that current market quotations do not accurately reflect the value of the security.

**Specific Fund Conflicts**

For a discussion of conflicts or potential conflicts applicable to particular funds managed by the Adviser, see the relevant offering or governing documents for the respective funds.

**ITEM 12****Brokerage Practices****A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions**

The Adviser continually assesses the ability of trade execution venues to provide best execution for the Adviser's client accounts on a consistent basis and in accordance with the Adviser's best execution policies and procedures. In order to obtain best execution, BSAM considers some or all of the following execution factors depending on trade order, when selecting the most appropriate venue or counterparty:

- The size of the order relative to other orders in the same financial instrument
- The need to minimize the possible market impact
- Access to liquidity/natural order flow
- Whether or not the security is traded on exchange or over the counter
- The client mandate and client restrictions
- Overall evaluation of the counterparty from the Counterparty Risk Group
- Clearance and settlement reliability and capabilities
- Commissions rates and other costs
- Characteristics of the execution venue(s) to which the order can be directed
- Any other relevant factor

When assessing, the relative importance of these factors, the Adviser will also consider the characteristics of the client's account, the client's order, and the financial instruments that are the subject of the order and the execution venues to which that order can be directed.

In addition, the Adviser seeks to select brokers-dealers that meet the Adviser's standard for creditworthiness as determined by the "JPMAWM's Counterparty Risk Group" (as defined in Key Terms).

Each order executed on behalf of a client account, will be unique in its characteristics since each trade order will be subject to prevailing market conditions, liquidity, investment strategy, and investment guidelines at the time such order is executed. While the relative importance assigned to the execution factors will vary, generally the Adviser prioritizes price and cost factors (both explicit and implicit) in obtaining best execution. However, there are instances where other factors take precedence. Such instances may include the following: trade costs are uniform or negligible across counterparties for fixed income products, speed of execution may be more important due to the nature of the order, or a trade order is large in comparison to the liquidity of the relevant financial instrument in the market.

The Adviser is responsible for determining that the level of commission paid for each trade is reasonable in light of the service received. Commissions on brokerage transactions may be subject to negotiation. Negotiated commissions take into account the difficulty involved in execution, the extent of the broker's commitment of its own capital (if any), the amount of capital involved in the transaction, and any other services offered by the broker.

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

The Adviser's primary objective in broker-dealer selection is to comply with its duty to seek best execution of orders for clients. Best execution does not necessarily mean the lowest commission or price, but instead involves consideration of a number of factors as noted in Item 12.A above.

BSAM does not receive any soft dollar benefits, nor does BSAM enter into soft dollar arrangements whereby a broker pays for third party research services.

### **2. Brokerage for Client Referrals**

BSAM does not select broker-dealers in order to receive client referrals. The factors used by the Adviser in selecting broker-dealers to execute trades are described above.

### **3. Directed Brokerage**

BSAM does not enter into directed brokerage arrangements.

## **B. Order Aggregation**

The Adviser has allocation practices in place that are designed to reasonably promote fair and equitable allocations of investment opportunities among its client accounts over time and to promote compliance with applicable regulatory requirements. Such practices are designed to reasonably ensure that accounts are treated in a fair and equitable manner. In general, orders involving the same investment opportunity are aggregated throughout each trading day, consistent with the Adviser's obligation to obtain best execution for its clients. Partially completed orders will generally be allocated among participating accounts on a pro-rated average price basis. No one account may be systematically favored over another in the allocation of trade orders. Similarly, accounts are to be treated in a non-preferential manner, such that allocations are not based upon the client, account performance, fee structure, or the portfolio manager.

The Adviser generally aggregates contemporaneous orders of the same security across multiple client accounts and funds (the "Participating Accounts"). Pursuant to the Adviser's trade aggregation and allocation policies and procedures, the Adviser seeks to take into account the appropriate facts and circumstances under which it will aggregate trade orders depending on the particular asset class, investment strategy or sub-strategy or type of security or instrument and timing of order flow and execution.

When Participating Accounts' orders are aggregated, the orders will be placed with one or more broker-dealers or other counterparties for execution. When a bunched order or block trade is completely filled, the Adviser generally allocates the securities or other instruments purchased or the proceeds of any sale *pro-rata* among the Participating Accounts, based on such accounts' relative size. Adjustments or changes may be made and allocations may be made on a basis other than *pro-rata* under certain circumstances such as to avoid odd lots or small allocations or to satisfy account cash flows or to comply with investment guidelines. In addition, if the order at a particular broker-dealer or other counterparty is filled at several different prices, through multiple trades, generally all Participating Accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice.

*Exceptions to Order Aggregation*

The Adviser generally does not aggregate orders where aggregation is not appropriate or practicable from the Adviser's operational or other perspectives or if doing so would not be appropriate in light of applicable regulatory considerations. For example, time zone differences, trading instructions, cash flows, separate trading desks, illiquid nature of investment strategies, or portfolio management processes may, among other factors, result in separate, non-aggregated trades.

**Trade Errors**

Trade errors and other operational mistakes occasionally occur in connection with the Adviser's management of funds and client accounts. The Adviser has developed policies and procedures that address the identification and correction of trade errors. Errors can result from a variety of situations including, situations involving portfolio management (e.g., inadvertent violation of investment restrictions) trading, processing or other functions (e.g., miscommunication of information, such as wrong number of shares, wrong price, wrong account, calling the transaction a buy rather than a sell and vice versa, etc.). The Adviser's policies and procedures require that all errors affecting a client's account be resolved promptly and fairly. Under certain circumstances, the Adviser may consider whether it is possible to adequately address an error through cancellation, correction, reallocation of losses and gains or other means. The intent of the policy is to restore a client account to the appropriate financial position considering all relevant circumstances surrounding the error.

The Adviser makes its determinations pursuant to its error policies on a case-by-case basis, in its discretion, based on factors it considers reasonable. Relevant facts and circumstances the Adviser may consider include, among others, the nature of the service being provided at the time of the incident, whether intervening causes, including the action or inaction of third parties, caused or contributed to the incident, specific applicable contractual and legal restrictions and standards of care, whether a client's investment objective was contravened, the nature of a client's investment program, whether a contractual guideline was violated, the nature and materiality of the relevant circumstances, and the materiality of any resulting losses.

The Adviser's policies and procedures generally do not require perfect implementation of investment management decisions, trading, processing or other functions performed by the Adviser. Therefore, not all mistakes will be considered compensable to the client. Imperfections in the implementation of investment decisions, quantitative strategies, financial modeling, trade execution, cash movements, portfolio rebalancing, processing instructions or facilitation of securities settlement, imperfection in processing corporate actions, or imperfection in the generation of cash or holdings reports resulting in trade decisions may not constitute compensable errors, depending on the facts and circumstances. In addition, in managing accounts, the Adviser may establish non-public, formal or informal internal targets, or other parameters that may be used to manage risk, manage sub-advisers or otherwise guide decision-making, and a failure to adhere to such internal parameters will not be considered an error.

**ITEM 13****Review of Accounts****A. Frequency and Nature of Review of Client Accounts or Financial Plans**

The Adviser periodically reviews client accounts utilizing product-specific review processes. The Adviser's portfolio managers are generally responsible for the daily management and review of the accounts under their supervision.

Such reviews examine compliance with clients' investment objectives and account guidelines, account performance, and the Adviser's current investment processes and practices. Reviews of the CDO funds that are subject to default and acceleration presently involve monitoring the payments received from the underlying collateral of the funds.

The information in this Brochure does not include all the specific review features associated with each investment strategy or applicable to a particular client account. Clients are urged to ask questions regarding the Adviser's review process applicable to a particular investment strategy.

## **B. Factors Prompting Review of Client Accounts Other than a Periodic Review**

In addition to periodic reviews, BSAM may perform reviews as it deems appropriate or otherwise required. Additional reviews of client accounts may be triggered by client request, compliance monitoring, industry factors, market developments, statutory and regulatory changes, and any issues that may have been identified with respect to a client account. Events that trigger reviews of client accounts are generally directed to the attention of business management and investment executives covering relevant businesses and functions.

## **C. Content and Frequency of Account Reports to Clients**

Each of the investors in the Adviser's private equity funds receives at least one of the following types of account reports:

- A quarterly statement of assets including a description of each asset with cost and current market values;
- A statement of transactions (typically quarterly), detailing account activity;
- Quarterly performance reports; and
- Annual audited financial statements which include a portfolio overview, investment vehicle summary and schedule of investments.

Investors in pooled vehicles managed by the Adviser receive written reports described in the offering, transaction or organizational documents for the relevant vehicle or as required by law, rule or regulation. With respect to the CDO funds, such reports are produced by the issuer or the collateral administrator of the fund and not by the Adviser. The reports may be delivered by posting them to a website.

## **ITEM 14**

### **Client Referrals and Other Compensation**

#### **A. Economic Benefits Received from Third-Parties for Providing Services to Clients**

The Adviser does not receive economic benefits from someone who is not a client for providing investment advisory services to its clients.

The Code of Ethics, the Code of Conduct and other related policies and procedures adopted by the Adviser restrict the receipt of personal benefits by employees of the Adviser or its Affiliates in connection with the Adviser's business. Subject to compliance policies, in limited circumstances exceptions may be

made for certain nominal non-cash gifts, meals, refreshments and entertainment provided in the course of a host-attended business-related meeting or other occasion. Please see Item 11.A, Code of Ethics and Personal Trading.

#### **B. Compensation to Non-Supervised Persons for Client Referrals**

The Adviser does not directly or indirectly compensate any non-supervised persons for client referrals.

### **ITEM 15**

#### **Custody**

BSAM generally does not maintain physical custody of its clients' assets. Client assets are typically held by a qualified custodian pursuant to a separate custody agreement. However, pursuant to Rule 206(4)-2 under the Advisers Act, in certain circumstances the Adviser may be deemed to have custody of client assets.

BSAM is deemed to have custody of client assets when it or a related person acts in any capacity that gives it legal ownership of, or access to, client assets, (e.g., when BSAM serves as a general partner, managing member, or comparable position for certain unregistered investment pools).

Clients in such private funds will receive the fund's annual audited financial statements. Such clients should review these statements carefully. If clients in the private funds do not receive audited financial statements in a timely manner, they should contact BSAM immediately.

### **ITEM 16**

#### **Investment Discretion**

As described in Item 4.B, Description of Advisory Firm, the Adviser provides discretionary investment management services. As such, the Adviser and its clients have executed an investment advisory agreement authorizing the Adviser to act on behalf of the client's account. Execution of such agreement authorizes the Adviser to supervise and direct the investment and reinvestment of assets in the client's account on the client's behalf and at the client's risk.

The Adviser's discretionary authority may be limited by the terms of its written agreement with each client. These limitations might include investment objectives and guidelines that the client establishes for the account or, with respect to the collateralized debt obligations private funds, be contingent upon the occurrence of certain events as described in the relevant offering documents.

For an additional discussion of risks related to the Adviser's discretionary authority, please refer to Item 6. Performance-Based Fees and Side-by-Side Management.

### **ITEM 17**

#### **Voting Client Securities**

#### **A. Policies and Procedures Relating to Voting Client Securities**

If the Adviser has been appointed as an investment manager, the client may give the Adviser the authority to vote the proxies of the securities held in the client's portfolio. As a fiduciary, the Adviser must act in the best interest of the client with respect to proxy voting activities. To ensure that the proxies are voted in the best interests of its clients and to prevent material conflicts of interest, as described in Item 11, from affecting the manner in which proxies are voted, BSAM has adopted a Proxy Voting Policy (the "Proxy Voting Policy") within the Adviser Compliance Program and detailed written proxy voting procedures ("Proxy Procedures") pursuant to Rule 206(4)-6 of the Advisers Act. The Proxy Voting Policy and Proxy Procedures incorporate detailed guidelines ("Proxy Guidelines") which address proxy voting with respect to a wide variety of topics including: shareholder voting rights, anti-takeover defenses, board structure, the election of directors, executive and director compensation, mergers and corporate restructuring, and social and environmental issues. The Proxy Guidelines have been developed and approved by the applicable Proxy Committee (as defined below) with the objective of encouraging corporate action that enhances shareholder value. Although for many matters the Proxy Guidelines specify the votes to be cast, for many others, the Proxy Guidelines contemplate case-by-case determinations. In addition, because proxy proposals and individual company facts and circumstances may vary, the Adviser may override the Proxy Guidelines if it reasonably believes it is in the client's best interest to do so. Clients may obtain a copy of BSAM's Proxy Guidelines by contacting their client service representative. Clients may obtain a copy of BSAM's information about how the Adviser voted the client's proxies by contacting their client service representative.

#### *Proxy Administrator and Proxy Committee*

To oversee and monitor the proxy voting process, JPMAM has established a Proxy Committee and appointed a Proxy Administrator in each global location where proxies are voted. The Proxy Administrator oversees the proxy voting process, monitors recommendations from Proxy Services (as defined below) and escalates issues to and confirms recommendations with the appropriate investment professionals of the Adviser. The Proxy Committee is composed of a representative of the Proxy Administrator, senior business officers of the Adviser and representatives of each of the JPMAM legal, Compliance, and risk management departments. The Proxy Committee meets periodically to review and provide advice on general proxy-voting matters and specific voting issues, as well as to review and approve the Proxy Guidelines.

#### *The Proxy Voting Process*

The Adviser's investment professionals monitor the corporate actions of the companies held in their clients' portfolios to determine how to vote individual proxies in accordance with the Proxy Procedures and Proxy Guidelines. To assist its investment professionals with proxy voting proposals, the Adviser may retain the services of a third-party proxy voting service (the "Proxy Service"). The Adviser will also retain the Proxy Service in situations where a material conflict of interest may exist. The Proxy Service may assist in the implementation and administration of certain proxy voting-related functions including operational, recordkeeping, and reporting services. The Proxy Service also provides the Adviser with comprehensive analysis of proxy proposals as well as recommendations on how to vote each proposal that reflect the Proxy Services application of the Adviser's Proxy Guidelines to particular proxy issues. In situations where the Proxy Guidelines are silent or recommend a case-by-case analysis, the Proxy Administrator (as defined above) will forward the Proxy Service's recommendations to the Adviser's investment professionals who will determine if the recommendations should be accepted.

#### *Mitigating Potential Conflicts*

To maintain the integrity and independence of the Adviser's investment processes and decisions, including proxy voting decisions, and to protect the Adviser's decisions from undue influence that could lead to a vote other than in the clients' best interests, JPMC (including BSAM) has adopted a policy pertaining to safeguarding information and established formal informational barriers. The information barriers include, where appropriate: computer firewalls; the establishment of separate legal entities; and



the physical separation of employees from separate business divisions. The barriers are designed to limit influence and restrict the flow of information between JPMC's securities, lending, investment banking, and other divisions and JPMAM's investment professionals and to mitigate potential conflicts of interest. Examples of material conflicts of interest that could arise include, without limitation, circumstances in which: (i) management of a BSAM client or prospective client, distributor or prospective distributor of its investment management products, or critical vendor, is soliciting proxies and failure to vote in favor of management may harm BSAM's relationship with such company and materially impact BSAM's business; or (ii) a personal relationship between a BSAM officer and management of a company or other proponent of a proxy proposal could impact the Adviser's voting decisions.

Depending on the nature of the conflict of interest, the Adviser may elect to take one or more of the following measures, or other appropriate action:

- Removing certain Adviser personnel from the proxy voting process;
- "Walling off" personnel with knowledge of the conflict to ensure that such personnel do not influence the relevant proxy vote;
- Voting in accordance with the applicable Proxy Guidelines, if any, if the application of the Proxy Guidelines would objectively result in the casting of a proxy vote in a predetermined manner; or
- Deferring the vote to an independent voting service, if any, that will vote in accordance with its own recommendation.

The resolution of all potential and actual material conflict issues will be documented to demonstrate that the Adviser acted in the best interests of its clients.

#### **B. No Authority to Vote Client Securities and Client Receipt of Proxies**

Not applicable.

### **ITEM 18**

#### **Financial Information**

##### **A. Balance Sheet**

Pursuant to SEC instructions, the Adviser is not required to include its balance sheet as part of this Brochure.

##### **B. Financial Conditions Likely to Impair Ability to Meet Contractual Commitments to Clients**

The Adviser is not subject to any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

##### **C. Bankruptcy Filings**

The Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.



<b>Key Terms</b>	
<b>Access Persons</b>	: means persons with access to non-public information regarding the Adviser's recommendations to clients, purchases, or sales of securities for client accounts and advised funds.
<b>Adviser</b>	: means Bear Stearns Asset Management Inc.
<b>Advisers Act</b>	: means the Investment Advisers Act of 1940, as amended.
<b>Affiliate</b>	: means, with respect to any Person, any other Person that, directly or indirectly, controls, is under common control with, or is controlled by that Person. For purposes of this definition, "control" (including the terms "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct and cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract, or otherwise.
<b>BHCA</b>	: means the Bank Holding Company Act of 1956.
<b>Brochure</b>	: means the Adviser's Form ADV, Part 2A.
<b>BSAM</b>	: means Bear Stearns Asset Management Inc.
<b>CDO</b>	: means collateralized debt obligation.
<b>CFTC</b>	: means the U.S. Commodity Futures Trading Commission.
<b>Code of Conduct</b>	: means the JPMC firm-wide policies and procedures that sets forth restrictions regarding confidential and proprietary information, information barriers, private investments, outside business activities and personal trading.
<b>Code of Ethics</b>	: means JPMAM Code of the Ethics, which is designed to ensure that BSAM employees comply with applicable federal securities laws and place the interests of clients first in conducting personal securities transactions.
<b>Direct Investments</b>	: means direct investments in private equity portfolio companies.
<b>Dodd-Frank</b>	: means the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as amended.
<b>ECNs</b>	: means electronic communication networks and alternative trading systems.
<b>Exchange Act</b>	: means the U.S. Securities Exchange Act of 1934, as amended.
<b>FCA</b>	means the U.K. Financial Conduct Authority
<b>FINRA</b>	: means the U.S. Financial Industry Regulatory Authority.
<b>JPMAM</b>	: means JPMorgan Asset Management, which is the marketing name for the investment management businesses of JPMorgan Chase & Co.
<b>JPMAWM</b>	means J.P. Morgan Asset & Wealth Management.
<b>JPMC</b>	: means JPMorgan Chase & Co., a publicly traded company, and its affiliates worldwide.
<b>JPMCB</b>	: means JPMorgan Chase Bank, N.A.
<b>JPMorgan Affiliated Funds</b>	: means mutual funds and other pooled investment vehicles managed by BSAM and its affiliates.
<b>JPMS</b>	: means J.P. Morgan Securities LLC.
<b>LIBOR</b>	means London Interbank Offering Rate.
<b>Management Persons</b>	: means the Adviser's principal executive officers, directors and members of the Adviser's investment committee.
<b>MNPI</b>	: means material non-public information.
<b>NFA</b>	: means the National Futures Association.

<b>Key Terms</b>	
<b>OTC</b>	: means over-the-counter.
<b>Participating Accounts</b>	: means multiple client accounts and funds across which the Adviser generally aggregates contemporaneous purchase or sale orders of the same security.
<b>Person</b>	: means, with respect to any Person, any other Person that, directly or indirectly, controls, is under common control with, or is controlled by that Person. For purposes of this definition, “control” (including, with correlative meaning, the terms “controlled by” and “under common control with”), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct and cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract, or otherwise.
<b>Proxy Administrator</b>	: oversees the proxy voting process, monitors recommendations from Proxy Services and escalates issues to and confirms recommendations with the appropriate investment professionals of the Adviser.
<b>Proxy Committee</b>	: meets periodically to review and provide advice on general proxy matter and specific voting issues, as well as to review and approve the Proxy Guidelines.
<b>Proxy Guidelines</b>	: means the detailed guidelines incorporated in the Proxy Procedures, which address proxy voting with respect to a wide variety of topics including: shareholder voting rights, anti-takeover defenses, board structure, the election of directors, executive and director compensation, mergers and corporate restructuring and social and environmental issues.
<b>Proxy Procedures</b>	: means the detailed written proxy voting procedures adopted by BSAM pursuant to Rule 206(4)-6 of the Advisers Act.
<b>Proxy Service</b>	: means third-party proxy voting service.
<b>Proxy Voting Policy</b>	: means the detailed written proxy voting policy adopted by BSAM pursuant to Rule 206(4)-6 of the Advisers Act.
<b>SEC</b>	: means the U.S. Securities and Exchange Commission.
<b>Section 16</b>	: means Section 16 of the Securities Exchange Act of 1934.
<b>SRO</b>	: means self-regulatory organization.
<b>Volcker Rule</b>	: refers to § 619 (12 U.S.C. § 1851) of the Dodd–Frank Wall Street Reform and Consumer Protection Act.