



## **NEWTON INVESTMENT MANAGEMENT NORTH AMERICA, LLC**

BNY Mellon Center  
201 Washington Place  
Boston, MA 02108

### **FORM ADV PART 2A BROCHURE**

(as of September 30, 2021)

This brochure (“Brochure”) provides information about the qualifications and business practices of Newton Investment Management North America, LLC (the “Firm”, “we”, “us” or “NIMNA”). The Firm is registered as an investment adviser with the United States Securities and Exchange Commission (“SEC”). If you have any questions about the contents of this Brochure, please contact us at (617) 248-3000. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority. Registration by an investment adviser with the SEC does not imply that the investment adviser has any particular level of skill or training.

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

## **Item 2: Summary of Material Changes**

This Brochure dated September 30, 2021, represents an update to the Brochure dated July 16, 2021. The following is a summary of the material changes that have been made to the Brochure since the last update.

- Item 4 – We have amended the Dual Officers section to reflect the services performed for the Firm by Dual Officers of the Firm’s affiliates.
- Item 6 - we have added a section titled “Conflicts of Interest Relating to the Sharing of Internally Generated Research” to describe the potential conflicts as a result of sharing internally generated research between the two Newton entities.
- Item 12 – we have added a section titled “Trade Coordination” to describe the trade coordination arrangements between the two Newton entities where both firms trade in the same security in the same directive above a predetermined liquidity threshold.

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## **Item 4: Advisory Business**

### **Background**

Newton Investment Management North America, LLC (the “Firm”) is a limited liability company organized under the laws of the State of Delaware. We are an indirect subsidiary of The Bank of New York Mellon Corporation (“BNY Mellon Corp.”). The Firm was established in 2021, comprised of equity and multi-asset teams from an affiliate, Mellon Investments Corporation. Mellon was established in 1933 with roots tracing back to the late 1800s. The Firm forms part of the Newton Investment Management group.

The Firm is part of the group of affiliated companies that individually or collectively provide investment advisory services under the brand “Newton” or “Newton Investment Management” (“Newton”). Newton currently includes the Firm and Newton Investment Management Ltd. (“Newton Limited”). Newton Limited was incorporated on 6 June 1978 with Reed Stenhouse, a Scottish insurance broker. Newton Limited became a subsidiary of BNY Mellon Corp. on July 23, 1998.

### **Advisory Business**

The Firm is an investment adviser registered as such with the U.S. Securities and Exchange Commission (“SEC”) pursuant to the Investment Advisers Act of 1940, as amended (“Advisers Act”). The Firm provides discretionary and non-discretionary investment advice to institutional clients, including U.S. and global pension funds, sovereign wealth funds, trusts, central banks, endowments, foundations, insurance companies, registered mutual funds, other pooled investment vehicles and other institutions.

The Firm operates through two separate investment product lines, comprising the “Equity Product Line” and the “Multi-Asset Product Line”, the “Product Lines”, respectively. The Product Lines operate semi-autonomously under the umbrella of the Firm, subject to the global policies and procedures of the Firm and BNY Mellon Corp., as applicable.

Clients typically obtain our investment advisory services pursuant to (i) an investment management or sub-advisory agreement with us or The Bank of New York Mellon, a New York chartered bank (the “Bank”) (when our employees are acting as dual officers of the Bank) or (ii) a trust agreement or participation agreement with the Bank (when our employees manage assets of collective investment funds of the Bank as a sub-advisor hired by the Bank). Investors may also access our investment advisory services by investing in commingled vehicles which are sponsored or established by the Firm, our affiliates or unaffiliated third parties. See Item 4 “Dual Officers” for more information about our dual officer arrangements.

Additional relationship-based services may be provided for existing clients and prospective clients. Such relationship-based services are negotiated individually with each client and may include certain account monitoring or trading or strategic allocation services. We may provide advice through consultations or the provision of research reports. The exact nature of the

consultation will depend upon the requirements of the client. Topics may include, but are not limited to, asset allocation, evaluation of new investment services relative to the client's needs and product development. On select occasions or as part of a consultation, special reports or analyses relating to securities may be prepared or issued, such as a study of security transactions costs (which may include charts or graphs).

Please refer to Item 8 of this Brochure for a description of the strategies provided by each Product Line, in which we invest client assets.

### **Investment Guidelines**

The Firm offers a variety of carefully developed investment strategies ("Strategies" and each, a "Strategy"). We generally manage all client accounts in accordance with a model portfolio that is based upon a selected Strategy. However, we tailor our services to meet clients' individual investment goals and we work with clients to create investment guidelines that are mutually acceptable to the client and to us. When creating investment guidelines, clients may impose investment restrictions in certain individual securities or types of securities. Clients who impose investment restrictions might limit our ability to employ the strategy on that client's behalf, resulting in investment performance that differs from that of the model and other client accounts.

The Firm also offers investment advisory services in the form of pooled investment vehicles or "Funds." Each pooled investment vehicle has an investment objective and a set of investment policies and/or guidelines that we must follow. For these reasons, we cannot tailor the investment guidelines of a Fund to meet individual investor needs. In addition, we cannot impose individual investment restrictions on our investment strategies for underlying investors in the pooled investment vehicles.

We also provide management services on a non-discretionary basis, where we make recommendations to the client but all investment decisions are made by the client and may or may not be implemented by us.

### **Sharing of internally generated research**

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

## **Wrap Fee Programs and Model Delivery**

A client in a wrap fee program (“Wrap Fee Program”) typically receives investment management of account assets through one or more investment advisers (including the Firm) participating in the Wrap Fee Program, as well as trade execution, custodial, performance monitoring and reporting services (or some combination of these or other services) for a single, all-inclusive “wrap-fee” charged by the program sponsor (“Sponsor”) based on the value of the client’s account assets. The Firm serves as a discretionary sub-adviser in certain Wrap Fee Programs and typically receives a portion of the wrap fee for our services. The Sponsor typically assists the client in defining the client’s investment objectives based on information provided by the client, aids in the selection of one or more investment managers to manage the client’s account and periodically contacts the client to ascertain whether there have been any changes in the client’s financial circumstances or objectives that warrant a change in the arrangement or the manner in which the client’s assets are managed.

Clients participating in Wrap Fee Programs normally receive a disclosure brochure from the Sponsor detailing the Wrap Fee Program prior to their selection of us as adviser or sub-adviser, which includes a description of the services provided by the Sponsor and the applicable fee schedule. The fees and features of each Wrap Fee Program vary and, therefore, clients in Wrap Fee Programs should consult the Sponsor’s brochure for the fees and features applicable to their account. We do not act as a Sponsor of any Wrap Fee Programs. However, Sponsors may obtain brokerage, clearing and other wrap program services from our affiliates.

We may enter directly into agreements with Sponsors (which typically grant us discretionary responsibility for determining which securities are to be purchased or sold) and we may then delegate the provision of certain services (including, but not limited to, the implementation of purchase and sale transactions, suitability reviews and the opening and maintenance of client accounts) to our affiliate, BNY Mellon Securities Corporation.

In certain circumstances, we act as a nondiscretionary adviser or sub-adviser in programs (“Model Delivery Programs”) in which our services are limited to the creation and maintenance of a model portfolio for an investment adviser or Sponsor providing investment advisory and asset allocation services to its clients in a Wrap Fee Program. In such cases, it is expected that the recommendations of our model portfolio will be implemented, subject only to differences resulting from individual investment guidelines or cash or other needs of the particular Model Delivery Program client. With respect to these accounts, we generally do not know the identity of the underlying clients, do not act as a fiduciary to such clients, do not have access to the underlying clients’ account information, do not trade for underlying clients participating in the account and do not perform brokerage, custody, suitability reviews or any other administrative functions. Additionally, for Model Delivery Programs, we are generally not responsible for voting proxies that relate to assets held in any underlying client’s account or the account’s compliance with applicable laws and regulations. In certain circumstances, we may also provide Model Delivery Program services to advisers or sub-advisers for clients other than Wrap Fee Accounts.

Our relationships with Sponsors may create certain conflicts of interest for the Sponsors and for us. We provide investment advisory services to certain affiliated Sponsors, including BNY Mellon Securities Corporation. If the Sponsor is affiliated with us, the Sponsor may have an incentive to give us access to the account and to steer clients toward us, based on the affiliation rather than based on our expertise or performance or the client's needs. Likewise, in hopes of gaining clients through a Wrap Fee Program, we may have an incentive to execute brokerage transactions through the Sponsor (whether affiliated or unaffiliated), who in turn may recommend us to Wrap Fee Program participants.

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

Please see Form ADV, Part 1A – Schedule D, Section 5.I.(2) for a list of the Wrap Fee Programs we sub-advise.

## **Dual Officers**

Certain employees of the Firm are also officers of one or more affiliates of the Firm, and certain employees of our affiliates are officers of the Firm, ("dual officers") for the purpose of performing investment management and related functions. Such affiliates may include the Bank BNY Mellon Investment Adviser, Inc. In this dual officer capacity, our employees may:

- Manage assets of certain of the Bank's collective investment funds; and
- Manage separate accounts, registered investment companies and other commingled and/or pooled investment vehicles on behalf of the Bank and BNY Mellon Investment Adviser, Inc.
- Perform oversight of investment advisory services and administrative and operational services to certain collective investment funds of the Bank.

Likewise, employees of our affiliates, acting as dual officers of the Firm may:

- Manage separate accounts, registered investment companies and other commingled and/or pooled investment vehicles on behalf of the Firm.



When the Firm's personnel act as dual officers or employees of the Bank in managing portfolios, the Firm receives compensation. In certain instances, we may enter into revenue sharing arrangements with affiliates where we may receive a portion of the fee, or bill the entire fee to the client and reimburse the affiliate for amounts in excess of our revenue share. Please refer to Item 5 for fee descriptions and Item 8 for investment strategy descriptions.

The personnel responsible for trade execution for the Firm are employees of xBK LLC ("xBK") an indirect subsidiary of BNY Mellon Corp. Such trading personnel have been appointed dual officers of the Firm and provide trade execution services to the Firm in this capacity. Trading personnel act as dual officers of other affiliates of BNY Mellon Corp.

When we share personnel with our affiliates pursuant to these arrangements, such personnel will be subject to the Firm's compliance policies and procedures when acting on behalf of the Firm, and subject to the policies and procedures of the affiliate when acting on behalf of that affiliate. Please refer to Item 6 for a description of conflicts of interest relating to dual officer arrangements.

### **Assets Under Management**

As of September 1, 2021, the Firm had total assets under management of \$76,725,794,170.00. This figure is comprised of:

\$76,677,785,615.00 managed on a discretionary basis;

\$48,008,555.00, managed on a non-discretionary basis, including accounts for which we provide a model of securities but do not arrange or effect the purchase or sale of the securities, as further described in Item 12 of this Brochure; and

\$30,649,457,097.00 managed by certain of our officers in their capacity as dual officers of BNY Mellon Investment Adviser, Inc. and the Bank.

The assets under management figures referenced above differ from the regulatory assets under management required to be reported in Form ADV Part 1A. Regulatory assets under management includes only the assets of portfolios deemed to be "securities portfolios." The SEC has defined a securities portfolio as a portfolio that holds at least 50% of its value in securities. In addition, regulatory assets under management are calculated gross of any fees, unpaid liabilities or outstanding indebtedness.

The assets under management figures referenced above may differ from the regulatory assets under management required to be reported in Form ADV Part 1A. Regulatory assets under management includes only the assets of portfolios deemed to be "securities portfolios." The SEC has defined a securities portfolio as a portfolio that holds at least 50% of its value in securities. In addition, regulatory assets under management are calculated gross of any fees, unpaid liabilities or outstanding indebtedness.



## **Class Actions: Litigation**

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

## **Privacy Policy**

Our privacy policy applies to individuals who obtain investment management services from us for personal, family or household purposes, or have done so in the past. The policy may be amended at any time. We will notify customers of changes as required by law. Additionally, our customers may request a copy of our privacy policy at any time. We maintain physical, electronic and procedural safeguards that comply with federal regulations to guard non-public information. We are careful to limit access to nonpublic information. Our employees have access to customer information based on their responsibilities. This access enables them to assist in completing transactions and resolving any customer service issues that may arise. We may collect nonpublic personal information about customers from account opening documentation and transactions with us. We do not share information subject to the privacy policy with anyone, except as authorized by the customer or permitted by law.

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

### **Separate Accounts**

We provide investment advisory separate account services for a fee. This fee is typically charged as a percentage of your assets under our management. While this fee is typically expressed as an annual percentage, it is calculated based on the market value of the account at month end, quarter end or based on an average and generally invoiced on a monthly or quarterly basis in arrears. The Firm will adjust management fees for significant cash flows during the billing period on a pro-rata basis.

We may from time to time enter into performance-based fee arrangements in accordance with the conditions and requirements of Section 205-3 of the Advisers Act. Such arrangements are negotiated with each client and, thus, the terms may vary. However, these arrangements typically provide for a fee based on the market value of the account (at a specified month end, quarter end or based on an average and invoiced on a monthly or quarterly basis in arrears), plus a performance fee based on the portfolio's return for the relevant billing period. Some accounts have a benchmark and/or a hurdle rate and others are absolute return strategies.

Your investment advisory agreement may also provide that you will incur fees and expenses, in addition to our advisory fees, such as custody, brokerage and other transaction costs, administrative and other expenses. Examples of other costs and expenses may include markups, mark-downs and other amounts included in the price of a security, odd-lot differentials, transfer taxes, wire transfer fees and electronic fund fees. Please review your investment advisory agreement for further information on how we charge and collect fees. Please see Item 12 of this Brochure for more information on our brokerage practices.

### **Pooled Investment Vehicles**

#### **Collective Investment Funds**

If consistent with a client's investment objective and subject to direction from the client, the Firm may invest client assets in the Bank's collective investment funds. Such accounts will indirectly bear the fees and expenses imposed by the Bank collective investment funds as an investor in such funds and, as a result, will bear higher expenses than if the account had invested directly in the securities held by the collective investment fund.

In addition, for certain index- and model-driven collective investment funds, transaction costs associated with client specific contributions to and/or withdrawals from the collective investment fund may be borne solely by the client and will reduce such client's returns. Certain collective investment funds engage in securities lending. Fees, including securities lending revenue arrangements, generally are negotiable with each investor. This means that some clients pay fees that differ from the fees paid by other clients.

## Private Funds

The Firm manages a number of privately offered pooled investment vehicles ("Private Funds"). The Private Funds generally charge a management fee calculated based on average monthly net assets and paid to the investment manager quarterly in arrears or upon redemption. Such management fee may differ based upon the type of assets in the Private Fund. The management fee may be applied directly to the Private Fund or may be charged outside of the Private Fund. Each Private Fund may have multiple share classes with different management and performance fees. Performance fees generally are calculated on the appreciation of the net asset value of the Private Fund and are paid to the investment manager annually or upon redemption. Please see Item 6 of this Brochure for more information on our performance fee arrangements and Item 12 of this Brochure for more information on brokerage expenses.

Private Funds are also subject to additional charges such as custody, brokerage and other transaction costs, administrative costs and other expenses (including, without limitation, organizational, directors, legal and audit fees). Management and performance fees are not generally negotiable, though they may be waived, reduced or calculated differently at the discretion of the Private Fund in accordance with the Private Fund's offering materials. Such waivers, reductions or changes to calculation methodology will cause some clients or groups of clients to pay fees that are different from the fee schedules disclosed in the Private Fund's offering materials. Please see the applicable Private Fund's offering materials for further information regarding fees and other share classes.

## **Sub-Advisory Fees**

The Firm also serves as adviser or sub-adviser to investment companies, managed accounts, pooled investment vehicles or other entities that are unaffiliated with the Firm. For these investment advisory and/or sub-advisory services, the Firm receives compensation based upon a percentage of assets under management and/or a performance-based fee.

We may also act as a sub-adviser to certain BNY Mellon Investment Adviser, Inc. funds or other affiliates' funds.

## **Minimum Fees**

The Firm may charge a minimum annual fee for our investment advisory services. Additionally, in some cases, separate accounts may be subject to minimum account sizes. The minimum annual fees typically range from \$25,000 to \$250,000 for separately managed accounts and will vary depending upon the strategy. We reserve the right to waive any minimum account size or minimum fee requirements. Minimum annual fees may be negotiated with clients and, therefore, may vary. Additionally, investments in Private Funds are generally subject to minimum investment requirements disclosed in the funds' offering materials. Please see the applicable fund's offering materials for further information regarding fees.

## Terminations

Agreements relating to the provision of services provided by the Firm generally are terminable at any time by either the client or us subject to a mutually acceptable period of notice, which is usually approximately 30 days. For a withdrawal or termination, the Firm considers the actual date of withdrawal of funds to be a fee-earning day. The Firm does not consider the date of receipt of Funds to be a fee-earning day except in the case of an initial funding on a new account. Market values are sourced from the Firm's internal accounting systems unless specifically directed otherwise by the client. Investments in Private Funds and collective investment funds that we manage are also subject to minimum investment and/or redemption requirements. Please refer to your investment management agreement, the collective investment fund's Schedule A or the offering documents of the Private Fund, as applicable, for more information.

## Fee Schedule

The fees charged by the Firm are provided below. These fees as described below reflect the highest tier of fees per annum on the standard fee schedule and are not charged on the basis of a share of capital gains upon or capital appreciation of the assets, or any portion of, the assets of the client. Accounts are generally billed quarterly in arrears; however, some separate account clients may pay fees quarterly in advance, based upon their form of contract. The fees associated with the investment strategies discussed in Item 8 of this Brochure are reflected below.

### Equity Product Line

<b>Investment Strategy</b>	<b>Fee Range per Annum</b>
Global Equity	0.35 – 1.25%
Global Research	0.25 – 0.80%
Large Cap Value	0.25 – 1.00%
Small Cap Growth	0.60 – 1.00%
Small Cap Value	0.75 – 1.00%
Opportunistic Equity	0.60 – 1.00%
Multi-Factor Equity	0.15 – 0.80%
Thematic Equity	0.35 – 0.80%

### Multi-Asset Product Line

<b>Investment Strategy</b>	<b>Fee Range per Annum</b>
Global Asset Allocation	0.35 – 0.80%
Domestic Asset Allocation	0.25 - 0.35%
Alternative Investments – Commodities	1.25%

<b>Investment Strategy</b>	<b>Fee Range per Annum</b>
Active Commodity	0.70 - 0.90%
Risk Parity (10% Volatility Level)*	0.35 – 0.50%
Dynamic Factor Premia	0.50 – 0.75%

*\* Fees for the Risk Parity Strategy vary based upon the active risk target. The active risk target for the fees shown is 10%.*

The Firm reserves the right, in our sole discretion, to negotiate or modify (either up or down) the basic fee schedules set forth above for any client due to a variety of factors, including but not limited to: a client's special circumstances, asset levels, the level of reporting and administrative operations required to service an account, the investment strategy or style, the number of portfolios or accounts involved and/or the number and types of services provided to the client. Because our fees are negotiable, the actual fee paid by any client or group of clients may be different from the fees reflected in our basic fee schedules set forth above. For this same reason, the Firm may agree to offer certain clients a fee schedule that is lower than that of comparable clients in the same investment strategy. Additionally, the Firm may agree to aggregate the assets of related client accounts and such accounts may receive the benefit of a lower effective fee rate due to such aggregation. The Firm may also choose to waive all or a portion of the negotiated fee for a given period.

Clients generally will incur fees and expenses in addition to our advisory fees including, but not limited to, custodian, brokerage and other transaction costs. Examples of other costs and expenses charged by custodians and/or brokers may include odd-lot differentials, transfer taxes, wire transfer fees and electronic fund fees.

If allowed by investment guidelines, the Firm may invest a client's account in pooled investment vehicles, including mutual funds (and including those advised or sub-advised by the Firm or an affiliate) that themselves bear advisory fees and operational expenses such as transfer agent, custody, audit, tax, brokerage and other transaction costs, administrative and other expenses. Such accounts will indirectly bear these fees and expenses as investors in such pooled investment vehicles and, as a result, will bear higher expenses than if they invested directly in the securities held by the pooled investment vehicle. Please review your investment advisory agreement for further information on how we charge and collect fees. A complete explanation of expenses charged by mutual funds is contained in each mutual fund's prospectus. Please see Item 12 of this Brochure for more information on our brokerage practices.

For portfolios subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the value of any client account holdings invested in affiliated mutual funds is excluded from the amount on which our separate account fees are computed. In cases where a client account is not subject to ERISA, and/or where client account holdings are invested in an affiliated vehicle not constituting a mutual fund, we may, subject to client contractual requirements and applicable law, calculate our separate account fee on the aggregate amount of the client's account. In certain instances where we have agreed to charge a flat fee for all

assets under management, an adjustment may be made to the fee to take into account the holdings in affiliated mutual funds.

The Firm does not require clients to pay in advance; rather, clients are billed in arrears for fees incurred. In the event a client has paid fees in advance and terminates prior to the end of the billing period, we will refund the client the portion of the fee paid attributable to the period, from the date of termination to the end of such billing period. Our clients may select whether they would like the fees to be deducted automatically by their custodian from their custodial accounts or billed separately.

The Firm may from time to time enter into performance-based fee arrangements in accordance with the conditions and requirements of Rule 205-3 under the Advisers Act and, when applicable, certain state laws. While such arrangements are negotiated with each client and thus the terms vary, they typically provide for a base fee based on market value of the account at specified month/quarter ends plus a performance fee based on the portfolio return (generally a rolling one or three-year period) for the relevant billing period relative to a designated market or customized index return.

In cases where we act only as consultant, the client retains full discretionary authority over all investments. There are no standard advisory fees for such non-discretionary consulting arrangements, and our fees for individual discretionary advisory accounts are negotiated on a case-by-case basis, taking into consideration factors such as account size and structure, cash flow and other account-specific characteristics.

## **Sales Commissions**

We do not charge or receive compensation in connection with the sale of securities, private funds, mutual funds or other investment products. However, certain of our employees or employees of our affiliates accept compensation (also referred to as “commissions”) for the sale of securities, private funds, mutual funds or other investment products. For example, certain of our employees and employees of our affiliates are registered representatives of BNY Mellon Securities Corporation and may receive commissions for selling certain products. Accepting commissions for the sale of securities, private funds, mutual funds or other investment products gives rise to a conflict of interest in that it may give our employees or employees of our affiliates an incentive to recommend investment products based on the compensation they will receive, rather than solely on a client’s needs. For all investment products, we assess the suitability of a product for each client prior to the sale. Clients may be able to purchase these securities or investment products from a broker that is not affiliated with the Firm. Please see Item 6 below for a discussion of these conflicts of interest.

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

### **Performance Fees**

The Firm may enter into performance-based fee arrangements for certain client accounts and funds. These arrangements generally provide for an asset-based management fee, based on the market value of the account (at month end, quarter end or based on average market value), plus a performance fee based on the portfolio's net return in excess of a specified benchmark and/or hurdle rate during a designated period of time, while others are absolute return strategies. The performance fee is typically based on both realized and unrealized gains and losses. Some performance fee calculations include a high water mark, which keeps track of the highest level of performance on which a performance fee has been paid and which must be exceeded in order for an additional performance fee to be assessed.

A majority of our fees are based on the valuations provided by clients' custodians or pooled investment vehicles' administrators. However, a conflict of interest may arise in overseeing the valuation of investments in situations where we are involved in the determination of the valuation of an investment. In such circumstances, we require, to the extent possible, pricing from an independent third party pricing vendor. If vendor pricing is unavailable, we then look to other observable inputs for the valuations. In the event that a vendor price or other observable inputs are unavailable or deemed unreliable, we have established a Valuation Committee to make a reasonable determination of a security's fair value.

For more detailed information on how performance fees are calculated, please see the applicable private placement memorandum or your investment management agreement.

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

We and our affiliates manage numerous accounts at the same time, including separate accounts, accounts in Wrap Fee Programs and pooled investment vehicles. Our clients and investors have a variety of investment objectives, policies, strategies, limitations and restrictions. The side by side management of these accounts can raise potential conflicts of interest relating to the allocation of investment opportunities and the aggregation and allocation of trades. Moreover, while the portfolio managers generally only manage accounts with similar investment strategies, it is possible, due to varying investment restrictions among accounts, or for other reasons, that certain investments could be made for some accounts and not others, and that conflicting investment positions could be taken among accounts. For example, a long/short position in two client accounts simultaneously can result in a loss to one client based on a decision to take a gain in the other. Taking concurrent conflicting positions in certain derivative instruments can likewise cause a loss to one client and a gain to another. We also may face conflicts of interest when we have uncovered option strategies and significant positions in illiquid securities in side-by-side accounts. However, with very few exceptions, our compliance policies prohibit the Firm's portfolio management team from taking long and short

positions in the same security across clients' accounts that they manage. Please see Item 12 for an explanation of our policies on trade allocation.

The conflicts of interest associated with side-by-side management can be particularly acute when we manage accounts that are charged a performance-based fee and other accounts that are charged a different type of fee, such as a flat asset-based fee. We have a financial incentive to favor accounts with performance-based fees because we (and our employees and supervised persons) may have an opportunity to earn greater fees on such accounts as compared to client accounts without performance-based fees. Thus, we have an incentive to direct our best investment ideas to client accounts that pay performance-based fees, and to allocate, aggregate or sequence trades in favor of such accounts. We also have an incentive to give accounts with performance-based fees better execution and better brokerage commissions. Please see Item 12 of this Brochure for more information on our brokerage practices, including aggregation and trade allocation policies and procedures designed to mitigate these conflicts.

Additionally, the Firm's clients may give us discretion to allocate client assets to, and/or redeem client assets from, certain pooled investment vehicles we manage or sub-advise. When a client grants us that discretion a conflict could arise with respect to such client and the other investors in such pooled investment vehicle. We may, for example, have an incentive to maintain a larger percentage of a client's assets in a fund in order for such assets to act as seed capital, to increase the fund's assets under management and, thus, to make investment by other investors more attractive, or to maintain the continuity of a performance record if the client is the sole remaining investor. Likewise, as the manager or sub-adviser, we will have information that investors will not have about the investments held by a fund and about other investors' intentions to invest or redeem. Such information could potentially be used to favor one investor over another.

The Firm addresses the conflicts associated with side-by-side management by managing our accounts consistent with applicable laws and following procedures that are reasonably designed to treat our clients fairly and to prevent any client or group of clients from being systematically favored or disadvantaged, including but not limited to policies relating to trading operations, best execution, trade order aggregation and allocation, short sales, cross-trading, code of conduct, personal securities trading and purchases of securities from affiliated underwriters.

### **Conflicts of Interest Relating to Dual Officer Arrangements**

As noted above, certain employees of our affiliates have been appointed as dual officers of the Firm for the limited purpose of providing certain investment management and trading services. This arrangement creates certain potential conflicts of interest for the Firm. Side-by-side management could potentially cause dual officers to favor its own clients over those of the Firm. In addition, confidential information may potentially be shared across the affiliated investment managers.



We have implemented policies and procedures to address these potential conflicts. Please see Item 12 of this Brochure for an explanation of our trade allocation policies and procedures.

### **Conflicts of Interest Relating to the Management of Multiple Client Accounts**

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

### **Conflicts of Interest Relating to “Proprietary Accounts”**

We, our affiliates and our existing and future employees will from time to time manage and/or invest in products managed by the Firm and we or our related persons may establish “seeded” funds or accounts for the purpose of developing new investment strategies and products (collectively, “Proprietary Accounts”). Investment by the Firm, our affiliates or our employees in Proprietary Accounts creates conflicts of interest because we have an incentive to favor these Proprietary Accounts by, for example, directing our best investment ideas to these accounts or allocating, aggregating or sequencing trades in favor of such accounts, to the disadvantage of other accounts. We also have an incentive to dedicate more time and attention to our Proprietary Accounts and to give them better execution and brokerage commissions than our other client accounts. We also may waive fees for Proprietary Accounts or for certain affiliated persons who invest in such Proprietary Accounts. Please see Item 11 of this Brochure for a description of the Firm’s Code of Ethics and Item 12 of this Brochure for more information on our brokerage practices and trade allocation policies and procedures.

### **Conflicts of Interest Relating to Investment in Affiliated Accounts**

To the extent permissible under applicable law (including compliance with any applicable ERISA prohibited transaction exemptions), we may decide to invest some or all of our temporary investments in mutual funds (including money market funds) or similar accounts advised or managed by affiliates of the Firm. In addition, we may invest client accounts in affiliated pooled vehicles. We have an incentive to allocate investments to these types of affiliated accounts in order to generate additional fees for us or our affiliates. In certain instances, we may enter into revenue sharing arrangements with affiliates where we may receive a portion of the fee, or bill the full fee to the client and reimburse the affiliate. Specifically, the Firm may suggest participation in a collective fund managed by the Bank, which commingled funds are managed by the Firm’s personnel in their capacity as dual officers. We may also enter into wholesale arrangements with affiliates where we receive only a portion of the client fee. For certain accounts with affiliates, some of the fees, such as custody fees, may be waived or rebated.

Please refer to Item 10 of this Brochure for an explanation of the conflicts associated with the businesses of our affiliates. Please see Item 12 of this Brochure for more information on our brokerage practices.

### **Conflicts of Interest Relating to the Sharing of Internally Generated Research**

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

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

### **Other Conflicts of Interest**

As noted previously, we and our affiliates manage numerous accounts with a variety of interests. This necessarily creates conflicts of interest for us. For example, we or an affiliate may cause multiple accounts to invest in the same investment. Such accounts may have conflicting interests and objectives in connection with such investment, including differing views on the operations or activities of the portfolio company, the targeted returns for the transaction and the timeframe for and method of exiting the investment. Some of our accounts may have gain/loss restrictions requiring them to hold certain securities while they are sold in other accounts. Conflicts also arise in cases where multiple Firm and/or affiliate client accounts are invested in different parts of an issuer's capital structure. For example, one of our client accounts could acquire debt obligations of a company while another client account acquires an equity investment. In negotiating the terms and conditions of any such investments, we may find that the interests of the debt-holding client accounts and the equity holding client accounts conflict. If that issuer encounters financial problems, decisions over the terms of the workout

could raise conflicts of interest (including, for example, conflicts over proposed waivers and amendments to debt covenants). For example, debt holding accounts may be better served by a liquidation of an issuer in which they could be paid in full, while equity holding accounts might prefer a reorganization of the issuer that would have the potential to retain value for the equity holders. As another example, holders of an issuer's senior securities may be able to act to direct cash flows away from junior security holders, and both the junior and senior security holders may be client accounts of the Firm. As we become aware of any of the foregoing conflicts of interest they will be discussed and resolved on a case-by-case basis. Any such discussions will factor in the interests of the relevant parties and applicable laws.

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

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

Please see Item 4 of this Brochure for more information on our dual officer arrangements, Item 10 for more information on our industry affiliations, Item 11 for more information on participation or interest in client transactions and Item 12 for an explanation of our brokerage practices and trade allocation policies and procedures.

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

We provide investment advisory services to proprietary accounts, banks or thrift institutions and other institutional clients, including, without limitation, corporate pension and profit sharing plans, Taft-Hartley plans, Voluntary Employee Beneficiary Associations, trusts, estates, sovereign wealth funds, central banks, charitable institutions, foundations, endowments, municipalities, insurance companies, variable annuities, state and local governments, religious organizations, Wrap Fee Programs, U.S. registered investment companies, collective investment vehicles, exchange-traded funds, Private Funds, Undertakings for Collective Investment in Transferable Securities, other non-U.S. regulated funds, sovereign funds, separate accounts and other U.S. and international institutional accounts.

### **Account Requirements:**

The Firm generally requires clients to execute a written investment management agreement with us, granting us authority to manage their assets. However, as discussed in Item 4 of this Brochure, retention of our investment advisory services may be obtained through various vehicles and arrangements. Please see Item 5 of this Brochure for more information on how we charge fees.

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

### **Equity Product Line**

The Equity Product Line's investment strategies are highly dependent on the overall investment objectives of individual clients. However, the basic themes of the Equity Product Line's strategies are as follows:

The Equity Product Line identifies attractive stocks through rigorous quantitative and fundamental analyses blended with analysis of current business momentum and places controls on sector selection and, if applicable, country selection.

#### **Equity Product Line Investment Strategies**

**Global Equity.** Security selection is driven by a rigorous and highly collaborative process, which draws from a broad range of expertise. The strategy combines the complementary research techniques of fundamental and quantitative analysis. Analysts rank their international investable universe within economic sectors, countries, and capitalization ranges. The models combine relative value characteristics and relative growth characteristics to create a relative attractiveness score for each stock. Our sector experts review the more attractively ranked stocks to verify the accuracy of the ranking and make a judgment about the sustainability of the company's business momentum. Using traditional fundamental techniques (e.g., financial statement analysis and meetings with management, suppliers, customers and competitors), the analysts are responsible for making a buy, sell or hold recommendation. Hallmarks of the investment approach are a portfolio with high active share and a core positioning driven by a barbell methodology in which the team balances elements of value and quality growth at the portfolio rather than the security level. The consistent thread that ties the process together is a systematic risk-management process, executed on a daily, weekly and monthly basis to ensure a balanced portfolio capable of providing a consistent, compelling relative return profile.

**Global Research.** Newton's Global Research team, which combines the research expertise and resources of the Firm and its affiliate Newton Limited, serves as a central research platform that can be leveraged by all of our investment strategies. The team is composed of dedicated, career analysts who have extensive research experience not only within their current coverage area but also across multiple sectors they have covered over their careers. The analysts serve as "industry experts" within their sector, covering companies that fall predominantly within the mid- and large-cap range. The analysts work within their industries to identify investment ideas through, among other things, reviewing industry fundamentals, identifying compelling metrics, distinguishing group leadership and recognizing emerging trends or themes.

For companies under their coverage, the analysts maintain a process of intensive research and analysis. The analysts create detailed financial models, establish a

company outlook and industry positioning, evaluate sustainable growth prospects, assess management and identify potential catalysts.

**Large Cap Value.** The team believes successful investing is achieved through a philosophy that is value-oriented, research-driven, and risk-controlled. They believe this strategy has proven to be successful over the decades and will remain so because what they embrace as their investment philosophy (valuation, strong fundamentals and business improvement) is what ultimately drives stock performance. Moreover, an unwavering commitment to and disciplined implementation of this philosophy enables outperformance, exhibited by remaining patient amid panicked market selling or by opportunistically selling into strength when appropriate.

**Small Cap Growth.** Our investment team believes that successful growth investing is best achieved through identifying companies with sustainable growth duration in a framework of risk management. The team, consisting of experienced investment professionals with a demonstrated performance record employs a dynamic, disciplined investment approach that leverages thematic insights and seeks to identify sustainable growth with a distinct focus on risk assessment, including a stop-loss review, diversification, factor analysis and risk reporting.

**Small Cap Value.** The strategy focuses on identifying companies with compelling combinations of solid business franchises, attractive valuations and catalysts for change. The strongest potential opportunities uncovered by our investment team's research are selected for the portfolio, which is diversified by both individual security and economic sector. Individual portfolio holdings are weighted based on the upside/downside opportunity, market liquidity and the strategy's internal risk control parameters.

**Opportunistic Equity.** The Opportunistic Equity strategies feature a high-conviction, less constrained investment approach that seeks attractive excess returns over the long term. The strategies seek to invest in equities priced at a large discount to intrinsic value with fundamental strengths that will be recognized in the next one to three years. Capital allocation seeks to exploit a dissonance between market sentiment and fundamental reality, often as a result of sudden or pronounced price dislocations that generate a favorable risk/reward ratio.

**Multi-Factor Equity.** Strategies are designed to exceed the performance of their respective benchmarks. The strategies pursue security selection within core, value, and growth stocks across large, medium, and small companies within the U.S. and/or internationally. Multi-Factor strategies generally leave cash balances due to their use of derivative instruments. Excess cash will generally be invested in instruments including, but not limited to, Treasuries, money market funds, or short-term debt instruments.

**Thematic Equity.** Newton's research teams are organized to collaborate across sectors to identify secular trends in the market. We believe our research platform makes us particularly well-suited for thematic portfolios and investing. Our investment process for

these strategic solutions leverages the full breadth of the Equity Product Line's equity investment platform, which includes fundamental research, quantitative research and portfolio management teams across regions, market capitalizations and investment styles.

## Multi-Asset Product Line

The Multi-Asset Product Line's investment strategies cover a variety of asset classes and span systematic, active, and index approaches. The construct of each portfolio is highly dependent on the overall investment objectives of each individual client. However, the basic themes of our strategies are as follows:

Multi-Asset strategies offer a wide range of solutions to achieve specific investor risk-return and/or income goals. These strategies are built on sophisticated investment processes with a long-term outcome oriented approach. Downside risk control is a key element across several multi-asset strategies. These strategies typically apply their investment philosophies across global financial markets using both traditional and alternative investment vehicles including securities, derivatives each of which involves certain risks.

### Multi-Asset Investment Strategies

**Global Asset Allocation** strategies are designed to provide absolute returns, total returns, or exceed the performance of their respective benchmarks, and allocate across various global asset classes.

**Domestic Asset Allocation** strategies are designed to provide absolute returns or exceed the performance of their respective benchmarks and allocate across various U.S. asset classes.

**Commodities** strategy is designed to provide absolute returns. The strategy seeks to generate performance by taking long and short positions using commodity derivatives.

**Active Commodity** strategies are designed to provide absolute returns or exceed the performance of their respective benchmarks. The strategies seek to generate incremental performance by taking long and short positions using commodity derivatives.

**Risk Parity** strategies are multi-asset strategies that take a balanced approach to risk. These strategies aim to allocate to multiple asset classes such as equities, bonds and commodities equally based on the risk contribution of each asset class. The strategy utilizes leverage to achieve a specific risk/return goal. Over the long run, this approach aims to deliver a higher Sharpe ratio than that of a 60/40 balanced fund.

**Dynamic Factor Premia** strategies are multi-asset long/short strategies designed to capture a broad set of risk premia (e.g., carry) through direct investment in global markets, across assets, both long and short. The strategy seeks to generate a return of cash plus 6% with a 10% target volatility and a low correlation to traditional assets.

**Multi-Asset** strategies generally leave cash balances due to their use of derivative instruments. Excess cash will generally be invested in instruments including, but not limited to, Treasuries, money market funds, or short-term debt instruments.

## Investment Risks

### Summary of Material Risks

Each investment strategy offered by the Firm invests in a variety of securities, derivatives and/or other assets and employs a number of investment techniques that involve certain risks. Investing in securities and derivatives involves risk of loss that you should be prepared to bear.

The tables below and section that follows set forth information concerning the material risks involved with each investment strategy of each respective Product Line. A “✓” in the table indicates that the strategy involves the corresponding risk. An empty box indicates that the Firm does not expect the strategy to create material exposure to the risk under normal market conditions. However, an empty box does not guarantee that the strategy will not be subject to the corresponding risk.

### Equity Product Line

Risk Type	Global Equity	Global Research	Large Cap Value	Small Cap Growth	Small Cap Value	Opportunistic Equity	Multi-Factor Equity	Thematic Equity
American Depository Receipts and Global Depository Receipts risk	✓	✓	✓	✓	✓	✓	✓	✓
Allocation risk		✓	✓	✓	✓	✓		
Alternative asset classes and investment strategies risk						✓	✓	
Asian emerging market risk	✓	✓					✓	✓
Asset-backed securities risk								
Banking industry risk	✓	✓	✓	✓	✓	✓		✓
Call risk			✓			✓		



<b>Risk Type</b>	Global Equity	Global Research	Large Cap Value	Small Cap Growth	Small Cap Value	Opportunistic Equity	Multi-Factor Equity	Thematic Equity
Clearance and settlement risk	✓	✓	✓	✓	✓	✓		✓
Commodity sector risk	✓	✓	✓	✓	✓	✓		✓
Convertible securities risk	✓	✓	✓			✓		
Correlation risk	✓	✓	✓	✓	✓	✓		✓
Counterparty risk			✓			✓		
Country, industry and market sector allocation risk	✓	✓	✓	✓	✓	✓	✓	✓
Credit Default Swaps								
Credit Linked Note								
Credit risk								
Cybersecurity risk	✓	✓	✓	✓	✓	✓	✓	✓
Derivatives risk			✓			✓	✓	
Emerging market risk	✓	✓				✓	✓	✓
Equity securities risk	✓	✓	✓	✓	✓	✓		✓
Exchange-traded fund ("ETF") risk	✓	✓	✓	✓	✓	✓	✓	✓
Fixed income market risk			✓					
Foreign Currency Options								
Foreign Currency Exchange Transactions	✓	✓				✓		✓
Foreign Currency risk	✓	✓				✓	✓	✓
Foreign government obligations and securities of supranational entities risk								
Foreign investment risk	✓	✓				✓	✓	✓
Frontier market risk	✓	✓						✓
Futures contracts risk	✓							
Government securities risk								
Growth and value stock risk	✓	✓	✓	✓	✓	✓	✓	✓
Growth stock risk	✓	✓	✓	✓	✓	✓	✓	✓
Healthcare sector risk	✓	✓	✓	✓	✓	✓		✓
High yield bond risk								
Indexing strategy risk								
Inflation-indexed securities risk								
Interest rate risk							✓	
Initial public offering (IPO) risk	✓	✓	✓	✓	✓	✓		✓
Issuer risk	✓	✓	✓	✓	✓	✓		✓
Large cap stock risk	✓	✓	✓			✓	✓	✓
Leverage risk							✓	
Liquidity risk	✓	✓	✓	✓	✓	✓	✓	✓
Market and credit risk	✓	✓	✓	✓	✓	✓		✓
Market risk	✓	✓	✓	✓	✓	✓	✓	✓
Micro-cap company risk	✓			✓	✓	✓		✓

<b>Risk Type</b>	<b>Global Equity</b>	<b>Global Research</b>	<b>Large Cap Value</b>	<b>Small Cap Growth</b>	<b>Small Cap Value</b>	<b>Opportunistic Equity</b>	<b>Multi-Factor Equity</b>	<b>Thematic Equity</b>
Mortgage related securities risk								
Municipal lease risk								
Municipal securities risk								
Non-diversification risk	✓	✓	✓	✓	✓	✓		✓
Options risk			✓			✓		
Participatory notes risk	✓	✓				✓		✓
Portfolio turnover risk	✓	✓	✓	✓	✓	✓		✓
Preferred stock risk	✓	✓	✓	✓	✓	✓		✓
Quantitative model risk	✓	✓	✓	✓	✓	✓	✓	✓
Real estate sector risk	✓	✓	✓	✓	✓	✓		✓
Short sale risk							✓	
Small and mid-size company risk	✓	✓	✓	✓	✓	✓	✓	✓
Social investment risk								
State-specific risk								
Stock investing risk	✓	✓	✓	✓	✓	✓	✓	✓
Stock selection risk	✓	✓	✓	✓	✓	✓	✓	✓
Swap Agreements								
Systemic risk	✓	✓	✓	✓	✓	✓	✓	✓
Tax risk								
Technology company risk	✓	✓	✓	✓	✓	✓		✓
Trading Limitations								
Unlisted financial instruments risk								
Value stock risk	✓	✓	✓	✓	✓	✓	✓	✓
Volcker Rule risk								
Warrant and rights risk	✓	✓	✓	✓	✓	✓		✓

## Multi-Asset Product Line

Risk Type	Global Asset Allocation	Domestic Asset Allocation	Alternative Investments: Commodities	Active Commodity	Risk Parity	Dynamic Factor Premia
American Depository Receipts and Global Depository Receipts risk	✓					✓
Allocation risk	✓	✓	✓	✓	✓	✓
Alternative asset classes and investment strategies risk	✓	✓	✓	✓	✓	✓
Asian emerging market risk	✓					✓
Asset-backed securities risk	✓	✓				✓
Banking industry risk						
Call risk	✓	✓				✓
Clearance and settlement risk	✓					✓
Commodity sector risk	✓	✓	✓	✓	✓	✓
Convertible securities risk						✓
Correlation risk	✓	✓			✓	✓
Counterparty risk	✓	✓	✓	✓	✓	✓
Country, industry and market sector allocation risk	✓		✓	✓		✓
Credit Default Swaps					✓	✓
Credit Linked Note						✓
Credit risk	✓	✓	✓	✓	✓	✓
Cybersecurity risk	✓	✓	✓	✓	✓	✓
Derivatives risk	✓	✓	✓	✓	✓	✓
Emerging market risk	✓					✓
Equity securities risk					✓	✓
Exchange-traded fund ("ETF") risk	✓					✓
Fixed income market risk		✓			✓	✓
Foreign Currency Options						✓
Foreign Currency Exchange Transactions						✓
Foreign Currency risk					✓	✓
Foreign government obligations and securities of supranational entities risk					✓	✓
Foreign investment risk	✓				✓	✓
Frontier market risk						
Futures contracts risk					✓	✓
Government securities risk	✓	✓				✓
Growth and value stock risk	✓	✓				✓
Growth stock risk						
Healthcare sector risk						
High yield bond risk	✓				✓	✓

<b>Risk Type</b>	<b>Global Asset Allocation</b>	<b>Domestic Asset Allocation</b>	<b>Alternative Investments: Commodities</b>	<b>Active Commodity</b>	<b>Risk Parity</b>	<b>Dynamic Factor Premia</b>
Indexing strategy risk	✓				✓	✓
Inflation-indexed securities risk	✓				✓	✓
Interest rate risk	✓	✓			✓	✓
Initial public offering (IPO) risk						
Issuer risk	✓	✓				✓
Large cap stock risk	✓	✓				✓
Leverage risk	✓	✓	✓	✓	✓	✓
Liquidity risk	✓		✓	✓	✓	✓
Market and credit risk	✓				✓	✓
Market risk	✓	✓	✓	✓	✓	✓
Micro-cap company risk						
Mortgage related securities risk						
Municipal lease risk						
Municipal securities risk						
Non-diversification risk						
Options risk					✓	✓
Participatory notes risk	✓	✓				✓
Portfolio turnover risk	✓		✓	✓		✓
Preferred stock risk	✓					✓
Prepayment and extension risk						
Quantitative model risk	✓	✓	✓	✓	✓	✓
Real estate sector risk	✓					✓
Short sale risk	✓	✓	✓	✓	✓	✓
Small and mid-size company risk	✓					✓
Social investment risk						
State-specific risk						
Stock investing risk	✓	✓			✓	✓
Stock selection risk						
Swap Agreements					✓	✓
Systemic risk	✓	✓	✓	✓	✓	✓
Tax risk						
Technology company risk						
Trading Limitations						
Unlisted financial instruments risk						
Value stock risk						
Volcker Rule risk						
Warrant and rights risk						

The risks set forth below represent a general summary of the material risks involved in the investment strategies we offer. We define material risks as risks associated with any type of investment that would account for 5% or more of the overall investment strategy. If applicable, please refer to the “risk factors” section in the offering documents or prospectus for a more detailed discussion of the risks involved in an investment in a fund. Not all material risks will be applicable to each strategy.

**American Depository Receipts and Global Depository Receipts risk.** American depository receipts (“ADRs”) are receipts issued by a U.S. bank or trust company evidencing ownership of underlying securities issued by non-U.S. issuers. ADRs may be listed on a national securities exchange or may be traded in the over-the-counter market. Global depository receipts (“GDRs”) are receipts issued by either a U.S. or non-U.S. banking institution representing ownership in a non-U.S. company’s publicly traded securities that are traded on non-U.S. stock exchanges or non-U.S. over-the-counter markets. Holders of unsponsored ADRs or GDRs generally bear all the costs of such facilities. The depository of an unsponsored facility frequently is under no obligation to distribute investor communications received from the issuer of the deposited security or to pass through voting rights to the holders of depository receipts in respect of the deposited securities. Investments in ADRs and GDRs pose, to the extent not hedged, currency exchange risks (including blockage, devaluation and non-exchangeability), as well as a range of other potential risks relating to the underlying shares, which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains, other income or gross sales or disposition proceeds, political or social instability or diplomatic developments that could affect investments in those countries, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding the underlying shares of ADRs and GDRs, and non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. companies. Such risks may have a material adverse effect on the performance of such investments and could result in substantial losses.

**Allocation risk.** The asset classes in which a strategy seeks investment exposure can perform differently from each other at any given time (as well as over the long term), so the strategy will be affected by its allocation among the various asset classes. If the strategy favors exposure to an asset class during a period when that class underperforms, performance may be hurt. In addition, there can be no assurance that the allocation of a strategy’s assets among investment strategies and underlying funds will be effective in achieving the strategy’s investment goal.

**Alternative asset classes and investment strategies risk.** These strategies may invest in asset classes and employ investments that involve greater risks than the asset class investments and strategies used by traditional strategies, including increased use of short sales, leverage, derivative transactions and hedging strategies. Accordingly, investors should consider investing in these strategies only as part of an overall diversified portfolio.

**Asian emerging market risk.** Many Asian economies are characterized by over-extension of credit, frequent currency fluctuations, devaluations and restrictions, rising unemployment, rapid

fluctuations in inflation, reliance on exports and less efficient markets. Currency devaluation in one Asian country can have a significant effect on the entire region. The legal systems in many Asian countries are still developing, making it more difficult to obtain and/or enforce judgments. Furthermore, increased political and social unrest in some Asian countries could cause economic and market uncertainty throughout the region. The auditing and reporting standards in some Asian emerging market countries may not provide the same degree of shareholder/investor protection or information to investors as those in developed countries. In particular, valuation of assets, depreciation, exchange differences, deferred taxation, contingent liability and consolidation may be treated differently than under the auditing and reporting standards of developed countries.

**Asset-backed securities risk.** General downturns in the economy could cause the value of asset-backed securities to fall. In addition, asset-backed securities present certain risks that are not presented by mortgage-backed securities. Primarily, these securities may provide a strategy with a less effective security interest in the related collateral than do mortgage-backed securities. Therefore, there is the possibility that recoveries on the underlying collateral may not, in some cases, be available to support payments on these securities.

**Banking industry risk.** The risks generally associated with concentrating investments in the banking industry, such as interest rate risk, credit risk and regulatory developments relating to the banking industry.

**Call risk.** Some bonds give the issuer the option to call, or redeem, the bonds before their maturity date. If an issuer “calls” its bond during a time of declining interest rates, the strategy might have to reinvest the proceeds in an investment offering a lower yield, and therefore might not benefit from any increase in value as a result of declining interest rates. During periods of market illiquidity or rising interest rates, prices of “callable” issues are subject to increased price fluctuation.

**Clearance and settlement risk.** Many emerging market countries have different clearance and settlement procedures from developed countries. There may be no central clearing mechanism for settling trades and no central depository or custodian for the safe keeping of securities. The registration, record-keeping and transfer of instruments may be carried out manually, which may cause delays in the recording of ownership. Increased settlement risk may increase counterparty and other risk. Certain markets have experienced periods when settlement dates are extended, and during the interim, the market value of an instrument may change. Moreover, certain markets have experienced periods when settlements did not keep pace with the volume of transactions resulting in settlement difficulties. Because of the lack of standardized settlement procedures, settlement risk in emerging markets is more prominent than in more mature markets.

**Commodity sector risk.** Exposure to the commodities markets may subject a strategy to greater volatility than investments in traditional securities. Investments linked to the prices of commodities are considered speculative. Prices of commodities and related contracts may fluctuate significantly over short periods for a variety of factors, including: changes in supply

and demand relationships, weather, agriculture, trade, fiscal, monetary and exchange control programs, disease, pestilence, acts of terrorism, embargoes, tariffs and international economic, political, military and regulatory developments.

**Convertible securities risk.** Convertible securities may be converted at either a stated price or stated rate into underlying shares of common stock. Convertible securities generally are subordinated to other similar but non-convertible securities of the same issuer. Although to a lesser extent than with fixed-income securities, the market values of convertible securities tend to decline as interest rates increase. In addition, because of the conversion feature, the market values of convertible securities tend to vary with fluctuations in the market value of the underlying common stock. Although convertible securities are designed to provide for a stable stream of income, they are subject to the risk that their issuers may default on their obligations. Convertible securities also offer the potential for capital appreciation through the conversion feature, although there can be no assurance of capital appreciation because securities prices fluctuate. Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality because of the potential for capital appreciation. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible securities' governing instrument. If a convertible security held by an account is called for redemption, the account will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the ability to achieve an account's investment objective.

**Correlation risk.** Although the prices of equity securities and fixed income securities, as well as other asset classes, often rise and fall at different times so that a fall in the price of one may be offset by a rise in the price of the other, in down markets the prices of these securities and asset classes can also fall in tandem. Additionally, where a strategy seeks to deliver returns that are not typically representative of the broad market by allocating its assets among satellite asset categories or investment strategies, there can be no guarantee that the performance of the underlying funds or the fund will have a low correlation to that of traditional asset classes under all market conditions.

**Counterparty risk.** Under certain conditions, a counterparty to a transaction, including repurchase agreements and derivative instruments, could fail to honor the terms of the agreement, default and the market for certain securities or financial instruments in which the counterparty deals may become illiquid.

**Country, industry and market sector allocation risk.** A strategy may be overweighted or underweighted, relative to the benchmark index, in companies in certain countries, industries or market sectors, which may cause the strategy's performance to be more or less sensitive to positive or negative developments affecting these countries, industries or sectors. In addition, a strategy may, from time to time, invest a significant portion (more than 25%) of its total assets in securities of companies located in particular countries, such as the United Kingdom and Japan, depending on such country's representation within the benchmark index.

**Credit Default Swaps (“CDS”).** The "buyer" in a credit default contract is obligated to pay the "seller" a periodic stream of payments over the term of the contract provided that no event of default on an underlying obligation has occurred. If a "credit event" occurs, the seller must pay the buyer the full notional value, or "par value," of the obligation. CDS transactions are either "physical-settled" or "cash-settled." Physical settlement entails the actual delivery by the buyer of the reference asset to the seller in exchange for the payment of the full par value of the reference asset. Cash settled entails a net cash payment from the seller to the buyer based on the difference of the par value of the reference asset and the current market value of the reference asset. The portfolio may be either the buyer or seller in a CDS transaction. CDS can be used to address the perception of the client that a particular credit, or group of credits, may experience credit improvement or deterioration. In the case of expected credit improvement, the portfolio may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the portfolio to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The portfolio may also buy credit default protection with respect to a reference entity if there is a high likelihood of perceived credit deterioration or for risk management purposes. In such instance, the portfolio will pay a premium regardless of whether there is a credit event. If the portfolio is a buyer and no credit event occurs, the portfolio will have made a series of periodic payments and recover nothing of monetary value. However, if a credit event occurs, the portfolio (if the buyer) will receive the full notional value of the reference obligation either through a cash or physical settlement. As a seller, the portfolio receives a fixed rate of income throughout the term of the contract, which typically is between six months and five years (but may be longer), provided that there is no credit event. CDS transactions may involve greater risks than if the portfolio had invested in the reference obligation directly. The CDS market in high yield securities is comparatively new and rapidly evolving compared to the CDS market for more seasoned and liquid investment-grade securities, creating the risk that the newer markets will be less liquid and it may be difficult to exit or enter into a particular transaction.

**Credit Linked Note (“CLN”).** We may purchase CLNs from time to time when we are unable to access certain markets. CLNs are created through a Special Purpose Vehicle (SPV) which owns the reference obligation and issues a security with the same attributes as the underlying security. CLNs are over the counter securities negotiated with a dealer. In the event the counterparty defaults, the security could become illiquid or suffer significant price depreciation or loss of principal as the CLN is a fully funded privately negotiated transaction. In the transaction, the dealer becomes the issuer and determines whether or not a risk event has occurred. Risk events can vary by dealer but are generally focused on credit events or settlement events. A credit event is generally triggered when the reference entity fails to pay or restructures its debt. Settlement events are generally triggered when changes in local laws or local market events prohibit the issuer from transacting in the reference security or currency. Following the determination of a risk event, the maturity date could be accelerated and the issuer will return value that is obtained from the highest bid in the payment currency. Under these circumstances, the value returned to holders could be zero.



**Credit risk.** Failure of an issuer to make timely interest or principal payments, or a decline or perception of a decline in the credit quality of a bond can cause a bond's price to fall, lowering the value of a strategy's investment in such security. The lower a security's credit rating, the greater the chance that the issuer of the security will default or fail to meet its payment obligation. See also "High yield bond risk."

**Cybersecurity risk.** In addition to the risks described that primarily relate to the value of investments, there are various operational, systems, information security and related risks involved in investing, including but not limited to "cybersecurity" risk. Cybersecurity attacks include electronic and non-electronic attacks that include but are not limited to gaining unauthorized access to digital systems to obtain client and financial information, compromising the integrity of systems and client data (e.g., misappropriation of assets or sensitive information), or causing operational disruption through taking systems off-line (e.g., denial of service attacks). As the use of technology has become more prevalent, we and the client accounts we manage have become potentially more susceptible to operational risks through cybersecurity attacks. These attacks in turn could cause us and client accounts (including funds) we manage to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures and/or financial loss. Similar adverse consequences could result from cybersecurity incidents affecting issuers of securities in which we invest, counterparties with which we engage in transactions, third-party service providers (e.g., a client account's custodian), governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers and other financial institutions and other parties. While cybersecurity risk management systems and business continuity plans have been developed and are designed to reduce the risks associated with these attacks, there are inherent limitations in any cybersecurity risk management system or business continuity plan, including the possibility that certain risks have not been identified. Accordingly, there is no guarantee that such efforts will succeed, especially since we do not directly control the cybersecurity systems of issuers or third-party service providers.

**Derivatives risk.** A small investment in derivatives could have a potentially large impact on a strategy's performance. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value and there is the risk that changes in the value of a derivative held by the strategy will not correlate with the underlying instruments or the strategy's other investments. Derivative instruments also involve the risk that a loss may be sustained as a result of the failure of the counterparty to the derivative instruments to make required payments or otherwise comply with the derivative instruments' terms. Certain types of derivatives involve greater risks than the underlying obligations because, in addition to general market risks, they are subject to illiquidity risk, counterparty risk and credit risk. Additionally, some derivatives involve economic leverage, which could increase the volatility of these investments as they may fluctuate in value more than the underlying instrument. See also "Leverage risk."

**Emerging market risk.** Emerging markets tend to be more volatile and less liquid than the markets of more mature economies and generally have less diverse and less mature economic structures and less stable political systems than those of developed countries. The securities of issuers located or doing substantial business in emerging markets are often subject to rapid and large changes in price. In particular, emerging markets may have relatively unstable governments, present the risk of sudden adverse government or regulatory action and even nationalization of businesses, have restrictions on foreign ownership or prohibitions on repatriation of assets and impose less protection of property rights than more developed countries. The economies of emerging market countries may be based predominantly on only a few industries and may be highly vulnerable to changes in local or global trade conditions and may suffer from extreme debt burdens or volatile inflation rates. Local securities markets may trade a small number of securities and may be unable to respond effectively to increases in trading volume, potentially making prompt liquidation of substantial holdings difficult. Transaction settlement and dividend collection procedures also may be less reliable in emerging markets than in developed markets. The fixed income securities of issuers located in emerging markets can be more volatile and less liquid than those of issuers in more mature economies. In addition, such securities often are considered to be below investment grade credit quality and predominantly speculative. The imposition of sanctions, confiscations, trade restrictions (including tariffs) and other government restrictions by the United States and other governments, or problems in share registration, settlement or custody, may also result in losses.

**Equity securities risk.** The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, an account may suffer losses if it invests in equity instruments of issuers whose performance diverges from expectations or if equity markets generally move in a single direction. Accounts may also be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

**Exchange-traded fund (“ETF”) risk.** Exchange Traded Funds (“ETFs”) are shares of publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying financial instruments they are designed to track. ETFs are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying financial instruments they are designed to track and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades.

ETFs in which the strategy may invest involve certain inherent risks generally associated with investments in a portfolio of common stocks and/or bonds, including the risk that the general level of stock prices may decline, thereby adversely affecting the value of each unit of the ETF.

Moreover, an ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain index securities in the secondary market or discrepancies between the ETF and the index with respect to the weighting of securities or the number of securities held. Investing in ETFs, which are investment companies, may involve duplication of advisory fees and certain other expenses.

**Fixed income market risk.** The market value of a fixed-income security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates, or adverse investor sentiment generally. The fixed-income securities market can be susceptible to increases in volatility and decreases in liquidity. Liquidity can decline unpredictably in response to overall economic conditions or credit tightening. Increases in volatility and decreases in liquidity may be caused by a rise in interest rates (or the expectation of a rise in interest rates), which are at or near historic lows in the United States and in other countries. An unexpected increase in strategy redemption requests, which may be triggered by market turmoil or an increase in interest rates, could cause the strategy to sell its holdings at a loss or at undesirable prices and adversely affect the strategy's performance and increase the strategy's liquidity risk, expenses and/or taxable distributions.

**Foreign Currency Options.** We may take positions in options on foreign currencies for investment purposes or to hedge against the risk that foreign exchange rate fluctuations will affect the value of foreign securities such portfolios hold or intend to purchase. Transaction costs may be higher because the quantities of currencies underlying option contracts that such portfolios may enter represent odd lots in a market dominated by transactions between banks. There is no systematic reporting of last sale information for foreign currencies or any regulatory requirement that quotations be firm or revised on a timely basis. Quotation information is generally representative of very large transactions in the interbank market and may not reflect smaller transactions where rates may be less favorable. Option markets may be closed while round-the-clock interbank currency markets are open and this can create price and rate discrepancies.

**Forward Foreign Currency Exchange Transactions.** We may engage in spot transactions and use forward contracts for investment purposes and to protect against uncertainty in the level of future exchange rates. For example, these portfolios may use forward contracts in connection with existing portfolio positions to lock in the U.S. dollar value of those positions, to increase a portfolio's exposure to foreign currencies that may rise in value relative to the U.S. dollar or to shift the portfolio's exposure to foreign currency fluctuations from one country to another. The precise matching of the forward contract amounts and the value of the securities involved will not generally be possible because the future value of such securities in foreign currencies will change as a consequence of market movements in the value of those securities between the date the forward contract is entered into and the date it matures. Accordingly, it may be necessary for a portfolio to purchase additional foreign currency on the spot (that is, cash) market and bear the expense of such purchase if the market value of the security is less than the amount of foreign currency the portfolio is obligated to deliver and if a decision is made

to sell the security and make delivery of the foreign currency. Conversely, it may be necessary to sell on the spot market some of the foreign currency received upon the sale of the portfolio security if its market value exceeds the amount of foreign currency the portfolio is obligated to deliver.

**Foreign currency risk.** Investments in foreign currencies are subject to the risk that those currencies will decline in value relative to the U.S. dollar, or in the case of hedged positions, that the U.S. dollar will decline relative to the currency being hedged. Currency exchange rates may fluctuate significantly over short periods of time. A decline in the value of foreign currencies relative to the U.S. dollar will reduce the value of securities held by the strategy and denominated in those currencies. Foreign currencies are also subject to risks caused by inflation, interest rates, budget deficits and low savings rates, political factors and government controls.

**Foreign government obligations and securities of supranational entities risk.** Investing in foreign government obligations and the sovereign debt of emerging market countries creates exposure to the direct or indirect consequences of political, social or economic changes in the countries that issue the securities or in which the issuers are located. Factors which may influence the ability or willingness of a foreign government or country to service debt include a country's cash flow situation, the availability of sufficient foreign exchange on the date a payment is due, the relative size of its debt service burden to the economy as a whole and its government's policy towards the International Monetary Fund, the International Bank for Reconstruction and Development and other international agencies. Other factors include the obligor's balance of payments, including export performance, its access to international credit and investments, fluctuations in interest rates and the extent of its foreign reserves. A governmental obligor may default on its obligations. These risks are heightened with respect to emerging market countries. The imposition of sanctions, confiscations, trade restrictions (including tariffs) and other government restrictions by the United States and other governments, or problems in share registration, settlement or custody, may also result in losses.

**Foreign investment risk.** Special risks associated with investments in foreign companies include exposure to currency fluctuations, less liquidity, less developed or less efficient trading markets, lack of comprehensive company information, political or economic instability, seizure or nationalization of assets, imposition of taxes or repatriation restrictions and differing auditing and legal standards. The securities of issuers located in emerging markets can be more volatile and less liquid than those of issuers in more mature economies. The imposition of sanctions, confiscations, trade restrictions (including tariffs) and other government restrictions by the United States and other governments, or problems in share registration, settlement or custody, may also result in losses

**Frontier market risk.** The risks associated with investments in frontier market countries include all the risks described for investments in foreign securities and emerging markets, although the risks are magnified for frontier market countries. Because frontier markets are among the

smallest, least mature and least liquid of the emerging markets, investments in frontier markets generally are subject to a greater risk of loss than investments in developed markets or traditional emerging markets. Frontier market countries have smaller economies, less developed capital markets, greater market volatility, lower trading volume, more political and economic instability, greater risk of a market shutdown and more governmental limitations on foreign investments than typically found in more developed markets.

**Futures contracts risk.** Futures contracts generally provide a high degree of liquidity and a low level of counterparty performance and settlement risk. While the use of futures contracts by a portfolio can amplify a gain, it can also amplify a loss. This loss can be substantially more money than the initial margin posted by the portfolio pursuant to the contracts. There is no assurance of market liquidity for futures contracts, whether traded on an exchange or in the over-the-counter market and, as a result, there may be times where a portfolio would not be able to close a future investment position when it wanted to do so. Upon entering into a futures transaction, a portfolio will generally be required to deposit an initial margin payment with the futures commission merchant (the “futures broker”). The initial margin payment will be deposited with a portfolio’s custodian in an account registered in the futures broker’s name; however, the futures broker can gain access to that account only under specified conditions. As the future is marked-to-market to reflect changes in its market value, subsequent margin payments, called variation margin, will be paid to or by the futures broker on a daily basis. Prior to expiration of the future, if a portfolio elects to close out its position by taking an opposite position, a final determination of variation margin is made, additional cash is required to be paid by or released to the portfolio and any loss or gain is realized for tax purposes. Position limits also apply to futures traded on an exchange. An exchange may order the liquidation of positions found to be in violation of those limits and may impose certain other sanctions. Initial margin is posted to a collateral pool which may be used to cover third-party liabilities in an event of default by a clearing broker or a major clearing broker’s client.

**Government securities risk.** Not all obligations of the U.S. government’s agencies and instrumentalities are backed by the full faith and credit of the U.S. Treasury. Some obligations are backed only by the credit of the issuing agency or instrumentality and in some cases there may be some risk of default by the issuer. Any guarantee by the U.S. government or its agencies or instrumentalities of a security held by the strategy does not apply to the market value of such security. A security backed by the U.S. Treasury or the full faith and credit of the United States is guaranteed only as to the timely payment of interest and principal when held to maturity. In addition, because many types of U.S. government securities trade actively outside the United States, their prices may rise and fall as changes in global economic conditions affect the demand for these securities. No assurance can be given that the U.S. government will provide financial support to its agencies and instrumentalities, since it is not obligated to do so by law.

**Growth and value stock risk.** Investors often expect growth companies to increase their earnings at a certain rate. If these expectations are not met, investors can punish the stocks inordinately, even if earnings do increase. In addition, growth stocks typically lack the dividend

yield that can cushion stock prices in market downturns. Value stocks involve the risk that they may never reach their expected full market value, either because the market fails to recognize the stock's intrinsic worth, or the expected value was misgauged. They also may decline in price even though in theory they are already undervalued.

**Growth stock risk.** Investors often expect growth companies to increase their earnings at a certain rate. If these expectations are not met, investors can punish the stocks inordinately, even if earnings do increase. In addition, growth stocks may lack the dividend yield that may cushion stock prices in market downturns.

**Health care sector risk.** When a strategy's investments are concentrated in the health care and related sectors, the value of your investment will be affected by factors particular to those sectors and may fluctuate more widely than that of a strategy which invests in a broad range of industries. Health care companies are subject to government regulation and approval of their products and services, which can have a significant effect on their market price. The types of products or services produced or provided by these companies may quickly become obsolete. Moreover, liability for products that are later alleged to be harmful or unsafe may be substantial and may have a significant impact on the health care company's market value and/or share price. Biotechnology and related companies are affected by patent considerations, intense competition, rapid technology change and obsolescence and regulatory requirements of various federal and state agencies. In addition, some of these companies are relatively small and have thinly traded securities, may not yet offer products or may offer a single product and may have persistent losses during a new product's transition from development to production, or erratic revenue patterns. The stock prices of these companies are very volatile, particularly when their products are up for regulatory approval and/or under regulatory scrutiny. Securities of companies within specific health care sectors can perform differently than the overall market. This may be due to changes in such things as the regulatory or competitive environment, or to changes in investor perceptions regarding a sector. Because the strategy may allocate relatively more assets to certain health care sectors than others, the strategy's performance may be more sensitive to developments which affect those sectors emphasized by the strategy.

**High yield bond risk.** High yield ("junk") bonds involve greater credit risk, including the risk of default, than investment grade bonds and are considered predominantly speculative with respect to the issuer's ability to make principal and interest payments. The prices of high yield bonds can fall dramatically in response to bad news about the issuer or its industry, or the economy in general.

**Indexing strategy risk.** Indexing strategies do not attempt to manage market volatility, use defensive strategies or reduce the effects of any long-term periods of poor index performance. The correlation between strategy and index performance may be affected by the strategy's expenses and use of sampling techniques, changes in securities markets, changes in the composition of the index and the timing of purchases and sales.

**Inflation-indexed security risk.** Interest payments on inflation-indexed securities can be unpredictable and will vary as the principal and/or interest is periodically adjusted based on the

rate of inflation. If the index measuring inflation falls, the interest payable on these securities will be reduced. The U.S. Treasury has guaranteed that in the event of a drop in prices, it would repay the par amount of its inflation-indexed securities. Inflation-indexed securities issued by corporations generally do not guarantee repayment of principal. Any increase in the principal amount of an inflation-indexed security will be considered taxable ordinary income, even though investors do not receive their principal until maturity. As a result, the strategy may be required to make annual distributions that exceed the cash the strategy received, which may cause the strategy to liquidate certain investments when it is not advantageous to do so. Also, if the principal value of an inflation-indexed security is adjusted downward due to deflation, amounts previously distributed may be characterized in some circumstances as a return of capital.

**Interest rate risk.** Prices of debt securities tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect the prices of these securities and, accordingly, the value of your investment. The longer the effective maturity and duration of the strategy's portfolio, the more the value of your investment is likely to react to interest rates. Mortgage-related securities can have a different interest rate sensitivity than other bonds, however, because of prepayments and other factors, they may carry additional risks and be more volatile than other types of debt securities due to unexpected changes in interest rates.

**Initial public offering ("IPO") risk.** The prices of securities purchased in IPOs can be very volatile. The effect of IPOs on a strategy's performance depends on a variety of factors, including the number of IPOs the strategy invests in relative to the size of the strategy and whether and to what extent a security purchased in an IPO appreciates or depreciates in value. Therefore, IPO investments may magnify the returns of the strategy.

**Issuer risk.** The value of a security may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's products or services.

**Large cap stock risk.** To the extent a strategy invests in large capitalization stocks, the strategy may underperform strategies that invest primarily in the stocks of lower quality, smaller capitalization companies during periods when the stocks of such companies are in favor.

**Leverage risk.** The use of leverage, such as engaging in reverse repurchase agreements, lending portfolio securities, entering into futures contracts or forward currency contracts, investing in inverse floaters, entering into short sales, the use of portfolio leverage or margin and engaging in forward commitment transactions, may magnify a strategy's gains or losses. Because many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, reference rate or index can result in a loss substantially greater than the amount invested in the derivative itself. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment.

**Libor risk.** The Financial Conduct Authority of the United Kingdom, the regulator responsible for the London Inter-bank Offered Rate ("LIBOR"), has announced that LIBOR (in its current formulation) will cease to be published after: (i) December 31, 2021 for all tenors of non-US

dollar LIBOR, as well as for one-week and two-month tenors for US dollar LIBOR, and (ii) after June 30, 2023 for the other tenors of US dollar LIBOR. In light of this eventuality, public and private sector industry initiatives are currently underway to transition from LIBOR-based instruments to instruments indexed to alternative reference rates. There is no assurance that the composition or characteristics of any such alternative reference rate will be similar to or produce the same value or economic equivalence as LIBOR or that it will have the same volume or liquidity as did LIBOR prior to its discontinuance or unavailability, which may affect the value, liquidity or return on LIBOR-based investments such as loans, derivatives, fixed income, floating rate securities and other instruments. [Client accounts] that hold such instruments, now or at any time prior to the transition, may also incur costs in connection with closing out positions and entering into new trades.

**Liquidity risk.** When there is little or no active trading market for specific types of securities, it can become more difficult to sell the securities at or near their perceived value. In such a market, the value of such securities and the value of your investment may fall dramatically, even during periods of declining interest rates. Liquidity risk also exists when a particular derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price. The secondary market for certain municipal bonds tends to be less well developed or liquid than many other securities markets, which may adversely affect the strategy's ability to sell such municipal bonds at attractive prices. Trading limits (such as "daily price fluctuation limits" or "speculative position limits") on futures trading imposed by regulators and exchanges could prevent the prompt liquidation of unfavorable futures positions and result in substantial losses. In addition, the ability to execute futures contract trades at favorable prices if trading volume in such contracts is low may be limited. It is also possible that an exchange or a regulator may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. Therefore, in some cases, the execution of trades to invest or divest cash flows may be postponed which could adversely affect the withdrawal of assets and/or performance.

**Market and credit risk.** Ginnie Maes and other securities 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. The market prices for such securities are not guaranteed and will fluctuate. Privately issued mortgage-related securities also are subject to credit risks associated with the underlying mortgage properties. These securities may be more volatile and less liquid than more traditional, government-backed debt securities.

**Market risk.** The market value of a security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, outbreaks of an infectious disease, changes in interest or currency rates or adverse investor sentiment generally. A security's market value also may decline because of factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an



industry. Global economies and financial markets are becoming increasingly interconnected, and conditions and events in one country, region or financial market may adversely impact issuers in a different country, region or financial market. These risks may be magnified if certain events or developments adversely interrupt the global supply chain; in these and other circumstances, such risks might affect companies world-wide.

**Micro-cap company risk.** Micro-cap stocks may offer greater opportunity for capital appreciation than the stocks of larger and more established companies; however, they also involve substantially greater risks of loss and price fluctuations. Micro-cap companies carry additional risks because their earnings and revenues tend to be less predictable (and some companies may be experiencing significant losses) and their share prices tend to be more volatile and their markets less liquid than companies with larger market capitalizations. Micro-cap companies may be newly formed or in the early stages of development, with limited product lines, markets or financial resources, and may lack management depth. In addition, there may be less public information available about these companies. The shares of micro-cap companies tend to trade less frequently than those of larger, more established companies, which can adversely affect the pricing of these securities and our ability to sell these securities. Also, it may take a long time before the value of your investment realizes a gain, if any, on an investment in a micro-cap company.

**Mortgage-related securities risk.** Mortgage-related securities are complex derivative instruments, subject to credit, prepayment and extension risk, and may be more volatile, less liquid and more difficult to price accurately, than more traditional fixed-income securities. The strategy is subject to the credit risk associated with these securities, including the market's perception of the creditworthiness of the issuing federal agency, as well as the credit quality of the underlying assets. Although certain mortgage-related securities are guaranteed as to the timely payment of interest and principal by a third party (such as a U.S. government agency or instrumentality with respect to government-related mortgage-backed securities) the market prices for such securities are not guaranteed and will fluctuate. Declining interest rates may result in the prepayment of higher yielding underlying mortgages and the reinvestment of proceeds at lower interest rates can reduce the strategy's potential price gain in response to falling interest rates, reduce the strategy's yield or cause the strategy's share price to fall (prepayment risk). Rising interest rates may result in a drop in prepayments of the underlying mortgages, which would increase the strategy's sensitivity to rising interest rates and its potential for price declines (extension risk).

**Municipal lease risk.** Because municipal leases generally are backed by revenues from a particular source or depend on future appropriations by municipalities and are not obligations of their issuers, they are less secure than most municipal obligations.

**Municipal securities risk.** The amount of public information available about municipal securities is generally less than that for corporate equities or bonds. Special factors, such as legislative changes and state and local economic and business developments, may adversely affect the yield and/or value of the strategy's investments in municipal securities. Other factors

include the general conditions of the municipal securities market, the size of the particular offering, the maturity of the obligation and the rating of the issue. Changes in economic, business or political conditions relating to a particular municipal project, municipality or state, territory or possession of the United States in which the strategy invests may have an impact on the strategy's performance.

**Non-diversification risk.** A non-diversified strategy may invest a relatively high percentage of its assets in a limited number of issuers. Therefore, the strategy's performance may be more vulnerable to changes in the market value of a single issuer or group of issuers and more susceptible to risks associated with a single economic, political or regulatory occurrence than a diversified strategy.

**Options risk.** Options positions may include both long positions, where a portfolio is the holder of put or call options, as well as short positions, where a portfolio is the seller (writer) of an option. Option techniques can involve a relatively higher level of risk. The expiration of unexercised long options effectively results in loss of the entire cost, or premium paid, for the option. Conversely, the writing of an uncovered put or call option can involve, similar to short-selling, a theoretically unlimited risk of an increase in a portfolio's cost of selling or purchasing the underlying securities in the event of exercise of the option.

**Participatory notes risk.** Investing in participatory notes involves the same risks associated with a direct investment in the shares of the companies the notes seek to replicate. However, the performance results of participatory notes will not replicate exactly the performance of the issuers or markets that the notes seek to replicate due to transaction costs and other expenses. In addition, participatory notes are subject to counterparty risk since the notes constitute general unsecured contractual obligations of the issuing financial institutions and the holder is relying on the creditworthiness of such institutions and has no rights under the participatory notes against the issuers of the stocks underlying such notes. Participatory notes may be considered illiquid.

**Portfolio turnover risk.** A strategy may engage in short-term trading, which could produce higher transaction costs and taxable distributions and lower the strategy's after-tax performance.

**Preferred stock risk.** Preferred stock is a class of a capital stock that typically pays dividends at a specified rate. Preferred stock is generally senior to common stock, but subordinate to debt securities, with respect to the payment of dividends and on liquidation of the issuer. The market value of preferred stock generally decreases when interest rates rise and is also affected by the issuer's ability to make payments on the preferred stock.

**Prepayment and extension risk.** When interest rates fall, the principal on mortgage-backed and certain asset-backed securities may be prepaid. The loss of higher yielding underlying mortgages and the reinvestment of proceeds at lower interest rates can reduce the strategy's potential price gain in response to falling interest rates, reducing the value of your investment. When interest rates rise, the effective duration of the strategy's mortgage-related and other

asset-backed securities may lengthen due to a drop in prepayments of the underlying mortgages or other assets. This is known as extension risk and would increase the strategy's sensitivity to rising interest rates and its potential for price declines.

**Quantitative model risk.** For certain strategies, we rely on quantitative models that utilize mathematical and statistical formulas designed to select a combination of positions that reflect forward-looking estimates of return and risk. There can be no assurance that a particular quantitative model has been designed to appropriately account for all variables that may affect the performance of a particular investment strategy. Any errors in the design, input or implementation of the quantitative models used by us could have a material adverse effect on the performance of a particular investment strategy. Due to the foregoing risks and the inherent complexities in quantitative models, it may be very difficult or impossible to detect the source of any weakness or failing in a quantitative model before any losses are incurred.

**Real estate sector risk.** When a strategy's investments are concentrated in the securities of companies principally engaged in the real estate sector, the value of your investment will be affected by factors particular to the real estate sector and may fluctuate more widely than that of a strategy which invests in a broader range of industries. The securities of issuers that are principally engaged in the real estate sector may be subject to risks similar to those associated with the direct ownership of real estate. These include: declines in real estate values, defaults by mortgagors or other borrowers and tenants, increases in property taxes and operating expenses, overbuilding, fluctuations in rental income, changes in interest rates, possible lack of availability of mortgage funds or financing, extended vacancies of properties, changes in tax and regulatory requirements (including zoning laws and environmental restrictions), losses due to costs resulting from the clean-up of environmental problems, liability to third parties for damages resulting from environmental problems and casualty or condemnation losses. In addition, the performance of the economy in each of the regions and countries in which the real estate owned by a portfolio company is located affects occupancy, market rental rates and expenses and, consequently, has an impact on the income from such properties and their underlying values.

In addition to the risks which are linked to the real estate sector in general, Real Estate Investment Trusts ("REITs") are subject to additional risks. Equity REITs, which invest a majority of their assets directly in real property and derive income primarily from the collection of rents and lease payments, may be affected by changes in the value of the underlying property owned by the trust, while mortgage REITs, which invest the majority of their assets in real estate mortgages and derive income primarily from the collection of interest payments, may be affected by the quality of any credit extended. Further, REITs are highly dependent upon management skill and often are not diversified. REITs also are subject to heavy cash flow dependency and to defaults by borrowers or lessees. In addition, REITs possibly could fail to qualify for favorable tax treatment under applicable U.S. or foreign law and/or to maintain exempt status under the Investment Company Act of 1940, as amended. Certain REITs provide for a specified term of existence in their trust documents. Such REITs run the risk of liquidating at an economically disadvantageous time.

**Short sale risk.** A strategy may make short sales, which involves selling a security it does not own in anticipation that the security's price will decline. Short sales expose the strategy to the risk that it will be required to buy the security sold short (also known as "covering" the short position) at a time when the security has appreciated in value, thus resulting in a loss to the strategy. Short positions in stocks involve more risk than long positions in stocks because the maximum sustainable loss on a stock purchased is limited to the amount paid for the stock plus the transaction costs, whereas there is no maximum attainable price on the shorted stock. In theory, stocks sold short have unlimited risk. The strategy may not always be able to close out a short position at a particular time or at an acceptable price. The strategy may not always be able to borrow a security the strategy seeks to sell short at a particular time or at an acceptable price. Thus, there is a risk that the strategy may be unable to fully implement its investment strategy due to a lack of available stocks or for some other reason. It is possible that the market value of the securities the strategy holds in long positions will decline at the same time that the market value of the securities the strategy has sold short increases, thereby increasing the strategy's potential volatility.

**Small and mid-size company risk.** Small and mid-size companies carry additional risks because the operating histories of these companies tend to be more limited, their earnings and revenues less predictable (and some companies may be experiencing significant losses) and their share prices more volatile than those of larger, more established companies. The shares of smaller companies tend to trade less frequently than those of larger, more established companies, which can adversely affect the pricing of these securities and the strategy's ability to sell these securities. These companies may have limited product lines, markets or financial resources, or may depend on a limited management group. Some of the strategy's investments will rise and fall based on investor perception rather than economic factors. Other investments are made in anticipation of future products, services or events whose delay or cancellation could cause the stock price to drop.

**Social investment risk.** Socially responsible and sustainability investment criteria may limit the number of investment opportunities available to a strategy and, as a result, at times the strategy's returns may be lower than those strategies that are not subject to such special investment considerations.

**State-specific risk.** A state-specific strategy is subject to the risk of that state's economy, and the revenues underlying its municipal bonds, may decline. Investing primarily in a single state makes the strategy more sensitive to risks specific to the state and may magnify other risks.

**Stock investing risk.** Stocks generally fluctuate more in value than bonds and may decline significantly over short time periods. There is the chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The market value of a stock may decline due to general market conditions that are not related to the particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. A security's market value also may decline because of factors that affect

a particular industry, such as labor shortages or increased production costs and competitive conditions within an industry or factors that affect a particular company, such as management performance, financial leverage and reduced demand for the company's products or services.

**Stock selection risk.** Certain indexing strategies hold fewer securities than the applicable index. Owning fewer securities and having the ability to purchase companies not listed in the index can cause the strategy to underperform the index.

**Swap Agreements.** These transactions are entered into in an attempt to obtain a particular return when it is considered desirable to do so, possibly at a lower cost to a portfolio than if the portfolio had invested directly in an instrument that yielded that desired return. Swap agreements are two party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than one year. In a standard "swap" transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments, which may be adjusted for an interest factor. The gross returns to be exchanged or "swapped" between the parties are generally calculated with respect to a "notional amount," i.e., the return on or increase in value of a particular dollar amount invested at a particular interest rate, in a particular foreign currency or in a "basket" of securities representing a particular index. Forms of swap agreements include interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or "cap"; interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates fall below a specified rate, or "floor"; and interest rate collars, under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels. A swap option is a contract that gives a counterparty the right (but not the obligation) to enter into a new swap agreement or to shorten, extend, cancel or otherwise modify an existing swap agreement, at some designated future time on specified terms.

**Systemic risk.** World events and/or the activities of one or more large participants in the financial markets and/or other events or activities of others could result in a temporary systemic breakdown in the normal operation of financial markets. Such events could result in a portfolio losing substantial value caused predominantly by liquidity and counterparty issues which could result in a portfolio incurring substantial losses.

**Tax risk.** To be tax-exempt, municipal bonds generally must meet certain regulatory requirements. If any such municipal bond fails to meet these regulatory requirements, the interest received by the strategy from its investment in such bonds and distributed to you will be taxable.

**Technology company risk.** The technology sector has been among the most volatile sectors of the stock market. If the strategy's investments are concentrated in the technology sector, its performance can be significantly affected by developments in that sector. Technology companies, especially small-cap technology companies, involve greater risk because their revenue and/or earnings tend to be less predictable (and some companies may be experiencing

significant losses) and their share prices tend to be more volatile. Certain technology companies may have limited product lines, markets or financial resources, or may depend on a limited management group. In addition, these companies are strongly affected by worldwide technological developments and their products and services may not be economically successful or may quickly become outdated. Investor perception may play a greater role in determining the day-to-day value of tech stocks than it does in other sectors. Investments made in anticipation of future products and services may decline dramatically in value if the anticipated products or services are delayed or cancelled. The risks associated with technology companies are magnified in the case of small-cap technology companies. The shares of smaller technology companies tend to trade less frequently than those of larger, more established companies, which can have an adverse effect on the pricing of these securities and on a strategy's ability to sell these securities.

**Trading Limitations.** For all securities, including options, listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances. These suspensions or limits could render certain strategies difficult to execute or continue and subject a portfolio to loss.

**Unlisted financial instruments risk.** Unlisted securities may involve higher risks than listed securities. Because of the absence of any trading market for unlisted securities, it may take longer to liquidate or it may not be possible to liquidate, positions in unlisted securities than would be the case for publicly traded securities. Companies whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

**Value stock risk.** Value stocks involve the risk that they may never reach their expected market value, either because the market fails to recognize the stock's intrinsic worth or the expected value was misgauged. They also may decline in price even though in theory they are already undervalued.

**Volcker Rule risk.** If Bank-controlled entities invest in a private fund and are subsequently required to divest some or all of their investments to meet the 3% Fund Limit (Bank-controlled entities could be required to limit their aggregate ownership interests in the fund to no more than 3% by (i) July 21, 2015, if the fund was established after December 31, 2013, or (ii) July 21, 2017, if the fund was established on or before December 31, 2013) or 3% Aggregate Limit (the aggregate investment in the fund and all "covered funds" by all Bank-controlled entities could be capped at 3% of the Bank's Tier 1 capital), then this could have ramifications for the fund and its investors. The fund could be forced to sell portfolio holdings to raise cash for liquidations. This could result in the sale of portfolio holdings at inopportune times or at below-market prices. In addition, forced sales of portfolio holdings could increase brokerage and transfer costs and expenses, result in lost investment opportunities and generate tax consequences. However, in the case of any such divestment, we would seek to minimize any adverse impact to the fund.

**Warrant and rights risk.** There are certain risks involved in trading warrants—including time decay. Time decay: “Time value” diminishes as time goes by—the rate of decay increases the closer to the date of expiration. The value of the certificate can drop to zero. If that were to happen before it is exercised, the warrant would lose any redemption value. Additionally, warrants and rights may become worthless if the price of the stock does not rise above the exercise price by the expiration date. This increases the market risks of warrants as compared to the underlying security.

**General Risks.** Each investment strategy we offer invests in a variety of securities and derivatives and employs a number of investment techniques that involve certain risks. Investments involve risk of loss that clients (and investors in our funds) should be prepared to bear. We do not guarantee or represent that our investment program will be successful. Our past results are not necessarily indicative of our future performance and our investment results may vary over time. We cannot assure you that our investment decisions will be profitable and, in fact, you could incur substantial losses. Your investments with us are not a bank deposit and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

We rely on data provided by third-party vendors as part of processes involved in providing investment advisory services to our clients. These processes include, but are not limited to: index creation, pricing and valuation of securities, managing client restriction or exclusion lists, processing corporate actions and collateral management. We do not take responsibility for any errors that result from inaccurate and/or untimely data provided by third-party vendors. Moreover, there may be time lags associated with inputting or implementing vendor data that may impact certain processes and thereby impact our advisory services and/or your investments. For example, an account may be temporarily invested in a newly restricted security until updated restricted securities data is received and implemented.

Please refer to the applicable disclosure and offering documents for further information.

## Errors

In executing on the above investment strategies and in light of the above investment risks, the Firm’s operations are inherently complex and errors will happen on occasion, including with respect to investment decisions, portfolio construction and trade execution and reconciliation.

The Firm’s goal is to avoid errors by taking preventive measures. However, when errors do occur, after the errors have been corrected, the Firm’s practice is to examine its procedures and if necessary, implement revisions to limit the likelihood of recurrence.

The Firm is generally responsible for its own errors and not the errors of other persons, including but not limited to third party brokers and custodians, unless otherwise expressly agreed to by the Firm. The Firm, in its sole discretion, may assist, to the extent possible, with the appropriate correction of errors committed by third parties.

The Firm takes an active role in all error corrections and requires that all errors must be promptly corrected. The Firm's policy is that we may not use other client accounts, a client's brokerage account or any proprietary account of the Firm or of its affiliates to correct an error. In addition, the Firm requires that no client be disadvantaged as the result of an error we have caused.

Pursuant to our error policy, clients generally retain any gain associated with an error caused by the Firm and the Firm will offer to reimburse clients for any losses resulting from an error caused by the Firm.

If it is determined that the Firm has made an error in a client's account, we will typically offer to compensate the client for the direct monetary losses (if any) the error caused in the client's account. Unless prohibited by applicable law or a specific agreement with the client, we may net gains and losses from the error or a series of related errors with the same root cause and offer to compensate the client for the net loss.

We typically notify clients as soon as practical of any errors that result in a material loss in the client's account. However, we generally do not notify clients about an event when we have determined that it does not constitute a compensable error.





## **Item 9: Disciplinary Information**

Registered investment advisers are required in this item to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Firm or the integrity of our management.

Neither the Firm nor any of its executive officers, members of its committees or other “management” as defined in Form ADV has been subject to the legal or disciplinary events related to this Item or otherwise is required to disclose any event required by this Item.

From time to time, we and/or the Bank or other affiliates of the Firm may be involved in regulatory examinations or litigation that arises in the ordinary course of our business. At this time we are not aware of any additional regulatory matters or litigation that we believe would be material to an evaluation of our advisory business or the integrity of our management.



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

### **Registration under the Commodity Exchange Act**

The Firm intends to be registered as a Commodity Pool Operator (“CPO”) and Commodity Trading Advisor (“CTA”) and as a member of the National Futures Association (the “NFA”). In connection with providing services as a CPO/CTA, our sales and certain client service and support employees will be registered with the NFA as Associated Persons of the Firm.

### **Foreign Registrations**

Please see Form ADV, Part 1A – Schedule D, Section 1.M. for a list of the foreign financial regulatory authorities with which we are registered.

### **Affiliated Financial Services Companies**

Newton Investment Management Limited

Newton Investment Management Ltd is authorized and regulated by the UK Financial Conduct Authority and is registered as an investment adviser by the US Securities and Exchange Commission. The Firm and Newton Investment Management Limited are collectively referred to as the “Newton Investment Management Group” or “Newton”. Newton Investment Management Ltd acts as a participating affiliate in respect of providing investment management related services to the Firm. Please refer to Item 4 for a description of the sharing of internally generated research between Newton Limited and the Firm.

Please see below for more details on how the Firm uses investment management related services provided by “participating affiliates” (as such term is used in relief granted by the staff of the SEC in a series of no-action letters allowing a registered investment adviser to use portfolio management and trading and research services and resources provided by a foreign affiliate subject to the supervision of the registered adviser).

### **BNY Mellon Corp. is a Global Financial Services Company**

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

Our services are sometimes offered under the umbrella designation “BNY Mellon.” In such cases, BNY Mellon is used to describe the range of investment products and services available from the affiliates of BNY Mellon Corp. Our services are also sometimes offered under the umbrella designations BNY Mellon Investment Management (“BNY Mellon IM”) and BNY Mellon Investment Management EMEA Limited (“BNY Mellon EMEA”). BNY Mellon IM is used to describe the array of investment management services available to both U.S. and non-U.S. investors from the affiliates of BNY Mellon Corp. BNY Mellon EMEA is used to describe the array of investment management services available from the affiliates of BNY Mellon Corp. to investors outside the U.S.

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

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

#### BNY Mellon Corp.’s Status as a Bank Holding Company

BNY Mellon Corp. and its direct and indirect subsidiaries, including the Firm, are subject to certain U.S. banking laws, including the Bank Holding Company Act of 1956, as amended (the “BHCA”), to regulation and supervision by the Board of Governors of the Federal Reserve System (the “Federal Reserve”) and to the provisions of, and regulations under, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). The BHCA and the Dodd-Frank Act (and other applicable banking laws, and their interpretation and administration by the appropriate regulatory agencies, including but not limited to the Federal Reserve) may restrict the transactions and relationships among BNY Mellon Corp., its affiliates (including us) and our clients, and may restrict our investments, transactions and operations. For example, the BHCA regulations applicable to BNY Mellon Corp. and us may, among other things, restrict our ability to make certain investments or the size of certain investments, impose a maximum

holding period on some or all of our investments, and restrict our ability to participate in the management and operations of the companies in which we invest. In addition, certain BHCA regulations may require aggregation of the positions owned, held or controlled by related entities. Thus, in certain circumstances, positions held by BNY Mellon Corp. and its affiliates (including us) for client and proprietary accounts may need to be aggregated and may be subject to a limitation on the amount of a position that may be held. These limitations may have an adverse effect on our ability to manage client investment portfolios. For example, depending on the percentage of a company we and our affiliates (in the aggregate) control at any given time, the limits may: (1) restrict our ability to invest in that company for certain clients and/or (2) require us to sell certain client holdings of that company at a time when it may be undesirable to take such action. Additionally, BNY Mellon Corp. or the Bank may in the future, in their sole discretion and without notice, engage in activities impacting us in order to comply with the BHCA, the Dodd-Frank Act or other legal requirements applicable to (or reduce or eliminate the impact or applicability of any bank regulatory or other restrictions on) us and accounts managed by us and our affiliates.

### The Volcker Rule

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

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

## **Affiliated Placement Agents**

We have affiliated “placement agents,” including, without limitation, BNY Mellon Securities Corporation, BNY Mellon EMEA the Bank and BNY Mellon Investment Adviser, Inc., who may solicit persons to invest in various private funds, including our private funds, as well as our separate account products. Certain of the Firm’s private funds have entered into agreements with these placement agents to pay them commissions or fees for such solicitations. We or our affiliates are solely responsible for the payment of these commissions and fees—they will not be borne by the private funds and their investors. We or our affiliates pay these commissions and fees out of our profits, and these payments do not increase the fees paid by the private fund’s investors. These financial incentives may cause the placement agents and their employees and/or salespersons to steer investors toward those private funds that will generate higher commissions and fees. Please see Item 14 of this Brochure for more information on the compensation arrangements related to client referrals.

Certain of our employees may be registered representatives of our affiliate, BNY Mellon Securities Corporation, a registered investment adviser under the Advisers Act, a broker-dealer under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and a member of the Financial Industry Regulatory Authority. In their capacity as registered representatives of BNY Mellon Securities Corporation, these employees sell and provide services regarding funds managed by us to U.S. persons. These BNY Mellon Securities Corporation registered employees may also provide advice to a municipal entity or obligated person regarding the investment of proceeds of a municipal security. There is a financial arrangement in place between us and BNY Mellon Securities Corporation.

A firewall exists with any BNY Mellon Corp. affiliated broker-dealers either physically, or via procedures that prevent the Firm’s staff (including staff who may be registered representatives of BNY Mellon Securities Corporation) from providing access or certain information with respect to funds sub-advised by us.

## **Affiliated Service Providers**

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

Certain corporate services, such as human resources, legal and finance, are provided to us by BNY Mellon Corp. or one of its affiliates. We have entered into an agreement with our affiliate, BNY Mellon Asset Management Operations LLC to provide certain operational and systems support. In addition, certain of our business support functions may be performed by employees of an overseas affiliate, BNY Mellon International Operations (India) Private Limited, located in

Pune and Chennai, India. The employees of this affiliate performing these support functions are dedicated solely to providing services to the Firm (through the affiliate). In addition, as noted in Item 4 of this Brochure, employees of affiliates may provide investment related services as “associated persons” of the Firm.

The Firm also engages in sub-advisory relationships with other BNY Mellon Corp. affiliated companies, including BNY Mellon Investment Management EMEA Limited, BNYIM Singapore, BNY Mellon Investment Management Hong Kong Limited and the Bank, where the Firm is engaged by such affiliates to provide sub-advisory services

The Firm has entered into an agreement (Transition Services Agreement) with its affiliates MBC Investments Corporation (“MBCIC”) and Mellon Investments Corporation (“Mellon”) whereby Mellon will provide the Firm with access and use of technology systems hosted by Mellon in order to support the temporary on-going management of client portfolios and MBCIC employees will assist the Firm with certain ongoing investment operational support.

### **Dual Officers and Employees**

Please see Item 4 of this Brochure for a discussion regarding the Firm’s use of dual officers.

### **Other Relationships**

From time to time, we may use investment management related services provided to us by “participating affiliates” (as such term is used in relief granted by the staff of the SEC in a series of no-action letters allowing a registered investment adviser to use portfolio management and trading and research services and resources provided by a foreign affiliate subject to the supervision of the registered adviser). Prior to using such services we will enter into agreements with such affiliated asset management companies (the “Participating Affiliates”), pursuant to which the Participating Affiliates are considered participating affiliates and one or more of their employees are deemed to be “associated persons” of the Firm. In those capacities, the Participating Affiliates and one or more of their employees (subject to the Firm’s supervision) may provide portfolio management, research, client support, trading and related services in connection with our management of client accounts. The Participating Affiliates will act in accordance with the series of no-action letters referred to above requiring the Participating Affiliates to be subject to the supervision of the Firm and the SEC in the manner contemplated in such no-action letters. The Participating Affiliates have agreed to submit to the jurisdiction of U.S. courts for actions arising under the U.S. securities laws in connection with the investment management related activities provided for our U.S. clients and have appointed an appropriate agent for service of process in accordance with, and subject to the requirements of, such no-action letters. Under these arrangements, the Firm pays the Participating Affiliates compensation for the services of the associated persons.

In addition, Bank personnel, including certain of our employees, may have board, advisory or other relationships with issuers, distributors, consultants and others that may have investments in a private fund and/or related funds or that may recommend investments in a private fund or

distribute interests in a private fund. To the extent permitted by applicable law, BNY Mellon Corp. and its affiliates, including us and our personnel, may make charitable contributions to institutions, including those that have relationships with investors or personnel of investors. As a result of the relationships and arrangements described in this paragraph, placement agents, consultants, distributors and other parties may have conflicts associated with their promotion of a private fund, or other dealings with a private fund, that create incentives for them to promote a private fund.

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

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

We have adopted a Code of Conduct that addresses these types of relationships and the conflicts of interest they may present, including with respect to the provision and receipt of gifts and entertainment. Please see Item 11 of this Brochure for further information about our Code of Conduct.

In its capacity as a nondiscretionary investment adviser, the Firm may provide a limited number of research reports and approved credit lists to certain affiliates, including but not limited to BNY Mellon Investment Adviser, Inc., Mellon Investments (UK) Limited and BNYIM Singapore for their use in fulfilling their investment management responsibilities to their clients, including reports and verbal updates covering securities which may also be held in client accounts managed by the Firm. Such reports do not include buy/sell/hold recommendations.

### **Affiliated Broker-Dealers and Investment Advisers**

We are affiliated with a significant number of advisers and broker-dealers. Please see Form ADV, Part 1A - Schedule D, Section 7.A for a list of our affiliated advisers and broker-dealers.

Several of our investment adviser affiliates have, collectively, a significant number of investment-related private funds for which a related person serves as sponsor, general partner

or managing member (or equivalent), respectively. Please refer to the Form ADV, Part 1A – Schedule D, Section 7.B for each of our affiliated investment advisers for information regarding such firm's private funds (if applicable) and such firm's Form ADV, Part 1A – Schedule D, Section 7.A for information regarding related persons that serve in a sponsor, general partner or managing member capacity (if applicable).

We have broker selection policies in place that require our selection of a broker-dealer to be consistent with our duties of best execution and subject to any client and regulatory proscriptions. Please see Item 12 of this Brochure for more information on our broker selection process.

Where we select the broker to effect purchases or sales of securities for client accounts, we are permitted to use either an affiliated or unaffiliated broker (unless otherwise restricted by an agreement, law or regulation). We have an incentive to enter into transactions with an affiliated broker-dealer, in an effort to direct more commission dollars to the affiliate.

Limitations on our use of affiliated broker-dealers could limit our ability to engage in certain securities transactions and to take advantage of certain market opportunities

We have arrangements with the following affiliated investment advisers (including arrangements whereby we or they provide investment management or sub-advisory services which may be on a discretionary or non-discretionary basis): BNY Mellon EMEA, BNY Mellon IM Hong Kong, BNY Mellon Investments Limited, BNY Mellon Asset Management Japan Limited, BNY Mellon IM Korea Limited, BNY Mellon Asset Management Canada Limited, BNY Mellon, National Association, Newton Limited, Mellon, the Bank and BNY Mellon Investment Adviser, Inc.. In addition, some of our affiliates provide services, such as client service, and may be compensated pursuant to a service level agreement. These include sub-advisory arrangements where the Firm appoints Mellon with respect to certain portfolio management obligations relating to index tracking portfolios. There are no additional fees associated with this delegation arrangement.

We may pay referral fees to our affiliates and employees of our affiliates for referrals that result in additional investment management business. Please see earlier sections of this Item 10 and Item 14 of this Brochure for further information.

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

### **Affiliated Underwriters**

Our broker-dealer affiliates occasionally act as an underwriter or as a member of the underwriting syndicate for certain new issue securities, which presents a conflict of interest



because it creates an incentive for us to purchase these new issue securities, in an effort to provide additional fees to the broker-dealer affiliate.

We have adopted a policy regarding purchases of securities in an offering in which an affiliate acts as an underwriter or as a member of the underwriting syndicate. In compliance with applicable banking and securities regulations, and regulations promulgated under ERISA, we may purchase on behalf of our clients securities in an offering in which an affiliate is acting as an underwriter or as a member of the underwriting syndicate during the syndication period, so long as requirements of the policy and compliance with certain criteria are met. The policy prohibits direct purchases from an affiliate for any fiduciary account under any circumstances (although an affiliate acting as an underwriter or as a member of the syndicate may benefit from the purchase through the receipt of a fee or other compensation).

The Bank is frequently engaged to serve as trustee, indenture trustee, custodian, paying agent or other similar capacities for the issuers of corporate bonds and other securities, including asset-backed and/or mortgage-backed securities. Because the receipt of compensation for such services by an affiliate may be affected by the success and/or size of a primary offering of such securities, we may be prohibited from purchasing such securities in the primary offering for our ERISA clients in order to avoid a violation of ERISA's prohibited transaction rules. The Firm, through its parent company, has received an exemption from the U.S. Department of Labor in order to provide relief from these restrictions for its ERISA clients.

### **Affiliated Banking Institutions**

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

We may provide certain investment advice and/or security valuation services to the Bank and other BNY Mellon Corp. affiliates and/or subsidiaries. We also provide certain investment advisory and trading services to certain clients of these affiliates and separately managed accounts (including separately managed accounts for which these affiliates acts as trustee, custodian or investment manager). Certain of our employees are also officers of the Bank. In their capacity as officers of the Bank, our personnel provide discretionary investment advisory services to certain clients and also to certain collective investment funds of the Bank and we receive a fee for such services. In addition, our primarily institutional and employee benefit and foundation clients and our affiliated employee benefit plan may invest in certain collective investment funds of the Bank.

Certain clients may have established custodial or sub-custodial arrangements with the Bank and other financial institutions that are affiliated with us. Furthermore, the Bank and other

financial institutions that are affiliated with us may provide services (such as trustee, custodial or administrative services) to issuers of securities. Because of their affiliation with us, our ability to purchase securities of such issuers and to take advantage of certain market opportunities may be subject to certain restrictions and, in some cases, prohibited.

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

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

- 1) the BNY Mellon Corp. Code of Conduct (the “BNY Mellon Code”); and
- 2) the BNY Mellon Corp. Personal Securities Trading Policy (the “PSTP”).

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

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

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

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

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

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

#### PSTP Overview:

- 1) IEs and ADMs are subject to preclearance and personal securities reporting requirements, with respect to discretionary accounts in which they have direct or indirect ownership.
- 2) Transaction reporting is not required for non-discretionary accounts, transactions in exempt securities or certain other transactions that are not deemed to present any potential conflicts of interest.
- 3) Preclearance is not required for transactions involving certain exempt securities (such as open-end investment company securities that are not Proprietary Funds or money market funds and short-term instruments, and non-financial commodities), transactions in non-discretionary accounts (approved accounts over which the employee has no direct or

indirect influence or control over the investment decision-making process); transactions done pursuant to automatic investment plans; and certain other transactions detailed in the PSTP which are either involuntary or deemed not to present any potential conflict of interest.

- 4) BNYM has a "Preliminary Compliance Officer" who maintains a "restricted list" of companies whose securities are subject to trading restrictions. This list is used by the Preliminary Compliance Officer to determine whether or not to grant trading authorization.
- 5) The acquisition of any securities in a private placement requires prior written approvals.
- 6) With respect to transactions involving BNY Mellon Corp. securities, all employees are also prohibited from engaging in short sales, purchases on margin, option transactions (other than employee option plans) and short-term trading (i.e., purchasing and selling, or selling and purchasing, BNY Mellon Corp. securities within any 60 calendar day period).
- 7) For IEs and ADMs, with respect to non-BNY Mellon Corp. securities purchasing and selling, or selling and purchasing, the same or equivalent security within 30 calendar days is discouraged, and any profits must be disgorged.
- 8) No covered employee should knowingly participate in or facilitate late trading, market timing or any other activity with respect to any fund in violation of applicable law or the provisions of such fund's disclosure documents.

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

### **Interest in Client Transactions**

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

#### **Principal Transactions**

"Principal Transactions" are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys any security from or sells any security to any client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated pooled investment vehicle and another client account. When an investment adviser engages in a principal transaction, it may have an incentive to favor its own interests over the interests of its client.

The Firm generally may not cause its clients to enter into principal transactions with related persons. Under limited circumstances, however, the Firm may enter into a principal transaction provided that the transaction is in accordance with Section 206(3) of the Advisers Act. All such transactions must receive client consent for each transaction, are effected on arms' length

terms and, with respect to commissions, are generally competitive with those paid to non-related broker-dealers.

It is our policy that our officers or directors shall not, as principal, buy securities for themselves from, or sell securities they own to, any client. However, we are part of a large diversified financial organization, which includes banks and broker-dealers. As a result, it is possible that a related person other than our officers and directors, may, as principal, purchase securities from, or sell securities to, our clients.

### Cross Transactions

“Cross Trades” are generally defined as transactions in which a person acts as an investment adviser in relation to a transaction in which such adviser, or any person controlling, controlled by or under common control with, such adviser, acts as broker for both such advisory client and for another person on the other side of the transaction.

The Firm generally does not knowingly engage in cross trades, except in the following limited circumstances and/or in consultation with the client.

In limited circumstances, the Firm may engage in cross trades for advisory accounts in which an affiliated broker-dealer acts as broker for both the advisory account and the other party to the transaction. The Firm may also effect cross trades directly between advisory accounts, provided that: such transactions are consistent with the investment objectives and policies of such accounts (for mutual funds, consistent with the funds’ Rule 17a-7 procedures (procedures for transactions with affiliated persons)); are, in the view of the respective portfolio managers, favorable to both sides of the transaction; and are otherwise executed in accordance with applicable laws, rules and regulation. Cross trades present conflicts of interest, as there may be an incentive for us to favor one client to the cross trade over the other. For example, if one client account pays performance fees, while the other client account pays only asset-based fees, we would have a financial incentive to favor the performance fee paying account in the cross trade. The Firm will only knowingly engage in cross trades to the extent permitted by applicable law and will, to the extent required by law, obtain the necessary client consents (which consents may be revoked at any time).

### Interests in Recommended Securities/Products

We or our affiliates may recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that we or one of our affiliates buys or sells the same securities for our (or the affiliate’s) own account. This practice may give rise to a variety of conflicts of interest, particularly with respect to aggregating, allocating and sequencing securities being purchased on both our (or the affiliate’s) behalf and our clients’ behalf. For example, we could have an incentive to cause a client or clients to participate in an offering because we desire to participate in the offering on our own behalf, and would otherwise be unable to meet the minimum purchase requirements. Likewise, we could have an incentive to cause our clients to participate in an offering to increase our overall allocation of securities in

that offering, or to increase our ability to participate in future offerings by the same underwriter or issuer. On the other hand, we could have an incentive to cause our clients to minimize their participation in an offering that has limited availability so that we do not have to share a proportionately greater amount of the offering with the client. Allocations of aggregated trades might likewise raise a potential conflict of interest as we may have an incentive to allocate, to our self, securities that are expected to increase in value. See Item 12 of this Brochure for a discussion of our brokerage and allocations practices and policies. Further, a conflict of interest could be viewed as arising if a transaction in our own account closely precedes a transaction in related securities in a client account, such as when a subsequent purchase by a client account increases the value of securities that were previously purchased for our self.

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

#### Investments by Related Persons and Employees

We and our existing and future employees, our board members and our affiliates and their employees may from time to time invest in products managed by us. We have developed policies and procedures to address conflicts of interest created by such investment. We are part of a large diversified financial organization that includes banks and broker-dealers. As a result, it is possible that a related person may, as principal, purchase securities or sell securities for itself that we also recommend to clients. We do permit our employees to invest for their own account within the guidelines and restrictions of the Code of Ethics, as described above. Please also see "Interests in Recommended Securities/Products" in this Item 11, "Dual Officers" in Item 4 and "Affiliated Underwriters" in Item 10 of this Brochure with regard to purchases of securities in an offering where an affiliate acts as underwriter or a member of the underwriting syndicate.

#### Agency Transactions Involving Affiliated Brokers

We do not, nor do any of our officers or directors, acting as broker or agent, effect securities transactions for compensation for any client. We are part of a large diversified financial organization that includes broker-dealers. As a result, it is possible that a related person, other than our officers and directors, may, as agent, effect securities transactions for our clients for



compensation. Please also see Item 10 and Item 12 for additional information relating to affiliate arrangements and with regard to purchases of securities in an offering where an affiliate acts as underwriter or a member of the underwriting. Please also see Form ADV, Part 1A – Schedule D, Section 7 for a list of broker-dealers which are our affiliates.



## **Item 12: Brokerage Practices**

### **Broker Selection**

Unless specifically directed otherwise by our clients, we have the authority to direct securities transactions on behalf of our clients to broker-dealers we select. In doing so, we seek best execution of such transactions. When seeking best execution, we may consider the following, among other things, in evaluating the full range and quality of a broker-dealer's services, (1) availability of natural liquidity, (2) availability of broker capital, (3) quality of past executions, (4) appropriate time horizon (speed) of execution, (5) competence and integrity of trading personnel, (6) reliability in trade settlement and reporting, (7) level of counterparty risk (broker's financial condition), (8) negotiated commission rate, (9) value of research services provided, (10) availability of electronic order routing and trade reporting connectivity, (11) stock-specific characteristics (order size, average daily volume, historical volatility, country of domicile, primary exchange, sector and industry classification), (12) current market conditions, (13) market capitalization and (14) client directed brokerage, as well as other relevant factors. We may also consider other brokerage and research services provided by the broker-dealer. We will continue to make periodic evaluations of the quality of these brokerage services as provided by various firms and to measure their services against our own standards of execution. Brokerage services will be obtained only from those firms which meet our standards, maintain a reasonable capital position and can, in our judgment, be expected to reliably and continuously supply these services. Please see the discussion concerning the Volcker Rule and its possible implications concerning our broker-dealer selection practices in Item 10, above.

### **Soft Dollars**

Section 28(e) of the Exchange Act provides a safe harbor (the "Safe Harbor") that allows an adviser to cause client accounts to pay a commission higher than the commission another broker or dealer would have charged if the Firm determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services and products ("Services and Products") provided by such broker-dealer. In the selection of qualified brokers to execute certain transactions, a broker may be selected that provides, along with trade execution services, Services and Products, and we may use credits generated from brokerage commissions from client transactions ("soft dollars") to pay for Services and Products provided by broker-dealers or third parties.

As a general matter, the Firm is permitted to use client commission credits to obtain Services and Products where the Firm determines in good faith that the commission is reasonable in relation to the value of the Services and Products provided by such broker-dealer, viewed in terms of either that particular transaction or the Firm's overall responsibilities with respect to the accounts for which it exercises investment discretion. Services and Products obtained by the Firm may not necessarily benefit a client whose commission credits are used to pay for those Services and Products.

We may use soft dollar credits to pay for Services and Products provided by independent third-party vendors which provide assistance to us in our investment decision-making process. These Services and Products may include, but are not limited to, pre- and post-trade analytical systems; research databases; advice as to the value of securities, including over-the-counter market data; reports concerning company, industry, market, asset allocation, economic and political analysis; and similar research oriented information. Additionally, broker-dealers through which we trade may provide us access to capital introduction programs or educational conferences, for no charge. Capital introduction programs allow investment managers of private funds to offer such private funds or describe the private funds' strategies to qualified customers of the broker-dealers. However, we do not enter into any agreements with, or make commitments to, any broker-dealer that would bind us to direct business or other compensation to such brokers in exchange for such accommodation or services.

The use of client commissions to pay for said Services and Products is facilitated through client commission arrangements, commission sharing arrangements or bundled arrangements. Client commission arrangements and commission sharing arrangements are those arrangements where trades are executed with a broker-dealer, and Services and Products are provided by either the executing broker-dealer or a third party which may include another broker-dealer. Bundled arrangements are those arrangements whereby the Firm directs a broker-dealer to effect securities transactions for client accounts for which the Firm receives Services and Products that have been produced by the executing broker. Services and Products produced by the executing broker-dealer may be procured through a client commission arrangement, commission sharing arrangement or bundled arrangement.

The Firm may request brokers effecting transactions on behalf of equity accounts to allocate a portion of the commissions to a pool of soft dollar credits maintained by a broker-dealer (other than the executing broker). We believe this type of arrangement helps support our ability to select the most appropriate broker-dealer for trade execution since the Firm is not required to trade with any particular broker to generate sufficient soft dollars to pay for Services and Products.

The use of client commissions to obtain Services and Products benefits us because we will not have to produce or pay for the research itself. Therefore, we have an incentive to trade through broker-dealers who provide us soft dollars rather than broker-dealers who do not (and who may offer more favorable execution). Further, certain Services and Products received may benefit:

1. certain other accounts also under our management;
2. accounts of affiliates managed by our employees who are also employees or officers of such affiliates; or
3. non-discretionary accounts of affiliates and accounts of affiliates over which we retain investment discretion.

Accordingly, non-discretionary accounts for which the Firm does not have authority to effect transactions, accounts that direct all or a portion of their trades to a designated broker-dealer and other accounts whose trading does not generate soft dollar credits may benefit from Services and Products paid for by soft dollar credits generated by other accounts. Likewise, certain client accounts of affiliates are managed by our portfolio managers acting in dual officer capacities. Because those clients, along with all other equity clients, may benefit from the Services and Products we receive, commissions generated by equity accounts of those clients may, as noted above, also be used to pay for those Services and Products.

When the Firm receives Services and Products that may also have a non-research use ("Mixed-Use Product"), a potential conflict of interest may arise, since such Mixed-Use Product may directly benefit the Firm even though they are paid for by soft dollar credits generated by client commissions. In such situations, we will make a reasonable allocation of the cost of any Mixed-Use Product (so that the portion of the Services and Products that provides assistance to our investment decision-making process will be paid for with soft dollar credits while the portion that does not will be paid for by the Firm in cash).

Third-party, proprietary and independent research requests are approved by the Firm's Trading Practices Committee (the "Trading Committee") which meets periodically or on an "as needed" basis. The Trading Committee reviews the addition of third-party, proprietary and independent research arrangements as well as the removal, continuation or modification of existing third party research arrangements. For Mixed-Use Products, the Trading Committee makes a good faith allocation between uses that fit within and outside the Safe Harbor. The Trading Committee also monitors ongoing client commission usage in relation to Services and Products purchased.

On an ongoing basis, the Firm's investment professionals that utilize proprietary or independent research track and evaluate these services through a research valuation process. The investment professional reviews the Services and Products received, evaluates their quality and usefulness and documents his or her evaluation of the services. The individual system entries are subsequently aggregated and the participating firms are paid based on composite results. Payments are made either by direct trade execution commissions or from other client commission arrangements.

The Firm generally does not permit eligible clients to elect not to participate in the generation of soft dollar credits.

Certain clients may be subject to non-US regulations that are inconsistent with our standard trading practices. For example, recent revisions to the EU Markets in Financial Instruments Directive ("MiFID II") and related regulations limit a manager's ability to receive Services and Products from executing brokers. While we are not directly subject to these regulations, we may adjust our standard trading practices on a case-by-case basis to accommodate compliance with MiFID II and other non-US regulations by our clients, including certain affiliates. These accommodations may include, but are not limited to: expanded use of client commission arrangements, commission sharing arrangements and similar arrangements; enhanced

reporting on client commissions and the Services and Products obtained; and non-participation in the generation of soft dollar credits. We expect the effective commission rates in these circumstances to be substantially similar to those paid by similarly situated clients. However, as a result of these accommodations, clients from certain jurisdictions may account for a lower percentage of soft dollar credits than otherwise similar clients from other jurisdictions.

It is possible that some of our affiliates whom we appoint as sub-advisers may have a different policy regarding the use of soft dollars.

## **Commission Rates**

While commission rates are individually negotiable on each trade, we have established commission rate guidelines for execution-only and full-service brokers (who provide Services and Products) and electronic venues which indicate an appropriate commission rate based on the broker/venue utilized, the price of the stock and the type of transaction. Actual commission rates may be higher or lower than indicated by the rate guidelines depending on the particular circumstances of a transaction. Such circumstances include, but are not limited to, whether: (a) the underlying security is more or less difficult to trade relative to other securities, (b) the quality of the execution justifies an adjustment to the commission rate, (c) the broker commits capital or d) the broker sources liquidity. In no case will an order be placed with a broker-dealer if the broker-dealer is not able, in our judgment, to provide best execution for a particular transaction.

## **Trade Execution**

NIMNA has engaged xBK LLC (“xBK” or “Trading Desk”), an indirect subsidiary of Bank of New York Mellon Corporation, to perform trade execution services for the Firm in a dual-officer capacity on behalf of NIMNA. As a dual-officer, xBK adheres to the trading policies and procedures as determined by the Firm. The primary objective of the Trading Desk in executing client orders is to seek best execution. NIMNA interprets best execution as seeking the most favorable execution terms reasonably available given the circumstances of a particular trade. Execution costs include explicit fees (commissions) and implicit costs (spread, market impact and opportunity costs).

Certain members of the Trading Desk may also serve as dual-officer of an affiliated firm. The Trading Desk has adopted policies to help ensure that each firm is treated equitably. Orders received from more than one firm by a trader are generally executed on a chronological basis of when the order was received. If an order is partially filled, it will be at the trader’s discretion to determine if a new order will be executed simultaneously. At no time will the Trading Desk aggregate orders across affiliated firms other than as outlined under the Trade Aggregation/Allocation section below.

## **Wrap Fee Programs and Model Delivery Programs**

Execution services for the purchase and/or sale of securities is part of the “wrap fee” that clients are charged in Wrap Fee Programs. Therefore, when trades are executed through a broker that

is not the Sponsor of the Wrap Fee Program, clients will be charged the applicable brokerage commission in addition to the “wrap fee;” whereas, if the trade was executed through the Sponsor no additional brokerage fees would be incurred.

Both affiliated and non-affiliated Sponsors may obtain advisory, brokerage, clearing and other Wrap Fee Program services from the Firm’s affiliates, including among others BNY Mellon Securities Corporation.

Due to the different strategies and independent trading functions of the Firm’s Product Lines, trading policies with respect to Wrap Fee Programs and Model Delivery Programs differ by Product Line.

### Equity Product Line

Where the Equity Product Line participates in Wrap Fee Programs and is permitted to effect transactions through broker-dealers other than the Sponsor subject to its duty to seek best execution, the Equity Product Line has found that trading-away from the Sponsor via step-out arrangements or otherwise generally allows it to obtain better execution overall for wrap clients than executing trades with the Sponsor. Step-out arrangements allow the accounts in Wrap Fee Programs to trade as part of an aggregated block order and clear the transaction with the Sponsor. As a result, all or nearly all of the transactions in Wrap Fee Program accounts will be traded away from the Sponsor.

Where the Equity Product Line is not permitted to trade with other brokers or where the cost of doing so makes the option unrealistic, Wrap Fee Program accounts will trade behind full discretionary accounts (sequenced trading) or contemporaneously alongside fully discretionary accounts (contemporaneous trading). When the Equity Product Line executes trades for such accounts with the Sponsor after the Equity Product Line has completed trading activity in that security on behalf of clients for whom the Equity Product Line has full trading discretion, wrap account clients may not obtain the same price level or as timely an execution as if the Equity Product Line had full trading discretion. As a result, such accounts may experience performance or other differences from similarly managed accounts advised by the Equity Product Line. When contemporaneous trading occurs, given the potential market perception of supply (or demand) imbalance associated with multiple sellers (or buyers), it is possible that performance for both types of accounts could be affected, depending upon market conditions.

Where the Equity Product Line participates as an investment manager in Model Delivery Programs and the Sponsor or other model recipient is responsible for trading, model changes will be communicated to such accounts either subject to a rotation methodology with like accounts/programs, behind fully discretionary accounts (sequenced trading), or alongside fully discretionary accounts with similar order instructions (contemporaneous trading). To the extent that accounts are part of a rotation methodology or sequenced it is possible that such accounts may suffer adverse effects on trade execution prices depending upon strategy, liquidity or market conditions. When contemporaneous trading occurs, given the potential market perception of supply (or demand) imbalance associated with multiple sellers (or buyers), it is

possible that performance for both types of accounts could be affected, depending upon market conditions.

### Multi-Asset Product Line

With respect to Wrap Fee Program accounts, the Multi-Asset Product Line will utilize the execution services of the Sponsor, or such Sponsor's affiliate where deemed appropriate by the Sponsor, consistent with seeking best execution for the client, although it may utilize other brokers where deemed appropriate.

The Multi-Asset Product Line normally does not negotiate brokerage commissions or other costs for the execution of transactions in the client's account on the client's behalf. Rather, it is expected that most transactions will be executed through the Sponsor or the Sponsor's designated affiliate since execution costs for agency transactions are normally included in the all-inclusive fee charged by the program sponsor. However, Wrap Fee Program agreements generally provide that other broker-dealers may be selected to execute trades if deemed appropriate to achieve best execution. If a broker-dealer other than the Sponsor or the Sponsor's designated affiliate is selected to effect a trade for a wrap fee client's account, any execution costs charged by that other broker-dealer typically will be charged separately to the client's account. Accordingly, clients who enroll in Wrap Fee Programs for which we primarily trade through the Sponsor should satisfy themselves that the Sponsor is able to provide best execution for transactions.

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

### **Client Referrals**

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

### **Trade Aggregation/Allocation**

The Firm has adopted practices designed to ensure fair treatment of all clients in situations where two or more client accounts participate contemporaneously in a buy or sell program involving the same securities. We will generally seek to aggregate or "block" orders that are placed concurrently by portfolio managers for client accounts where we believe this will result in more favorable execution.

When orders are aggregated, each participating account will generally receive the same price and commission. If an aggregated order is filled in its entirety, the order will generally be allocated in accordance with the pre-trade allocation specified. If an aggregated order is partially filled, the order is generally allocated among the accounts specified on the trade ticket on a pro rata basis in proportion to the intended pre-trade allocation (subject to rounding to “round lot” amounts).

In certain circumstances, our trade aggregation policies allow allocation on a basis other than strictly pro rata if we believe that such allocation is fair and reasonable to all of the accounts that are involved in the order. For example, due to liquidity constraints, the use of limit orders and other factors, orders placed in certain markets, such as emerging markets securities, may take several days to fill. Primarily due to custodial fees that accounts may incur as a result of orders in the same security that span a series of days, it is often more beneficial to not allocate partial fills on a pro rata basis across all participating accounts. In general, if an account is not allocated shares of a security on day one, it will likely receive an allocation the next time we trade that stock. This is intended to result in accounts within the same strategy/product group having similar weights and holdings over time. This allocation procedure may result in some accounts in the same strategy/product group receiving a more favorable price for certain securities than other accounts.

In certain circumstances, we will determine not to aggregate orders even when there are orders for the same security and the same benchmark. For example, certain portfolio risk factors (such as when a rebalancing requires special treatment in order to keep factors such as cash and other asset weightings continuously aligned) will affect the decision as to whether or not it is appropriate to block a trade. Also, exchange traded funds that we may sub-advise that accept cash in lieu of stocks during a creation or redemption order are an exception to our aggregation policy; because the risk of the trade is placed on the applicable authorized participant and not the fund, each order may be traded independently.

We may aggregate transactions for client accounts and affiliated accounts managed by our employees who are also dual officers of such affiliates. We may also aggregate trades for clients with trades for proprietary accounts, such as retirement plans in which the employees are participants and private funds and mutual funds in which our or our related parties' employees have invested.

For certain foreign exchange (“FX”) transactions, we may aggregate buys and sells in the same currency to obtain a net FX quote that is, at times, more advantageous than would be available without aggregating and netting, but in no circumstances less advantageous than would be available without aggregating and netting.

## **Trade Coordination**

As described in Item 4, The Firm and Newton Limited seek to optimize the extent to which each can share between the two firms internally generated investment research and/or research recommendations with a view to enhancing the research and investment opportunities for all portfolios

managed by both firms. A trade coordination process is in place to notify the respective dealing functions of both Firms when dealing in the same security in the same direction above a pre-agreed combined liquidity threshold. Both Firms aim to take all steps necessary to coordinate execution between them to optimize the market participation of the trades to avoid price impact and ensure fair allocation between both sets of client executions.

## **Directed Brokerage**

We may accept direction from a client to place trades for the client's account with, or to direct a portion of its commission to, a particular broker-dealer. In the event that such direction occurs, we may have limited capability to negotiate commission levels or obtain volume discounts, and may experience other impediments to achieving best execution. In addition, in meeting the client's brokerage directive, we may not be able to aggregate these transactions with transactions we effect for other accounts we manage and we may delay placing the orders for directed accounts until our orders for other accounts have been completed. As a result, the net price paid or received by the directed account may be different than the price paid or received by our other accounts. Directing brokerage may also cause clients to incur higher brokerage costs.

The Firm may impose limits on the amount of brokerage that it is willing to direct, typically as a percentage of the total brokerage effected by the Firm for the client's account. Such limitations will be determined from time to time with respect to the relevant investment strategy, and may change over time in response to market developments or for other reasons. This policy is driven by our belief that these arrangements may result in additional costs to our clients and may adversely affect the performance of a client's account.

For clients that request us to use a designated broker-dealer subject to our obligation to seek best execution, we will treat the client's request to use the designated broker-dealer or other counterparty to execute securities transactions as a suggestion for the selection of the broker-dealer or other counterparty ("suggested brokerage"). However, there is no guarantee that we will be able to meet the client's brokerage selection criteria.

In the case of agency transactions for both client "directed" and client "suggested" brokerage, the use of "step-out" transactions in certain circumstances may help us in seeking to meet the client's brokerage criteria (while ensuring that all accounts participating in the aggregated trade receive the same average price). In a step-out, we would instruct the executing broker-dealer to arrange for the designated broker-dealer to handle clearance and settlement of the transaction for all or a portion of an aggregated trade. In a step-out, the affected clients are assessed as commission only by the broker-dealer who clears the transaction. The executing broker-dealer receives compensation in the form of a commission with respect to the portion of the aggregated trade that was not "stepped-out" to the designated broker-dealer. The use of step-out trades can, in some instances, help ensure that clients that seek to direct brokerage are not disadvantaged by the inability to participate in aggregated transactions. However, step-out trades are accommodations by the executing broker-dealer and therefore, will not be



available in all circumstances and cannot be relied upon. In addition, to the extent that a broker has committed capital to a trade, step-out arrangements will not be available.

Those clients who direct brokerage should consider the following:

- We may not negotiate brokerage commissions with respect to transactions executed by the designated broker-dealer for the client's account.
- Orders for clients that direct brokerage may be placed separately from and after the completion of orders for non-directed accounts. To the extent that orders are placed after the orders for our other clients, the price of securities purchased or sold for such client accounts may be adversely affected. This may be of particular importance for accounts tracking an index, since purchase and sale prices will often be traded at the closing price mark in order to accurately replicate the timing of the index changes and may also involve a broker's commitment of capital.
- A client that directs brokerage may forego any benefit from savings on execution costs that we could obtain for clients through negotiating volume commission discounts on aggregated transactions.
- As a result of the foregoing, a client that directs brokerage may not receive best execution on transactions effected through the designated broker-dealer.
- As a result of these considerations, directed brokerage accounts may not generate returns equal to those of non-directed accounts.
- In addition, if applicable, conflicts may arise between the client's interest in receiving best execution on transactions effected for the client's account and our interest in receiving client referrals from the designated broker-dealer.

In agreeing to follow a client's directed brokerage instruction, we are relying on the fact that it is the client's responsibility to ensure that (i) all services provided by the designated broker-dealer or other counterparty will solely benefit the client's account and using the designated broker-dealer or other counterparty is in the best interest of the client's account taking into consideration the services provided and (ii) the brokerage direction will not conflict with any fiduciary obligations of the persons acting for the client's account and if the account is subject to the provisions of ERISA, such direction will not cause the plan to engage in a prohibited transaction under ERISA.

Clients have the obligation to comply with any laws and regulations regarding their directed/suggested brokerage arrangements and to disclose any directed brokerage arrangements to any and all other affected persons and account beneficiaries as appropriate.

Due to the directed brokerage arrangements that a number of our clients have in place, the overall firm-wide commission rates may be higher than they otherwise would be if we did not participate in any client-directed brokerage programs.

### **Affiliated Brokerage**

The Firm maintains an Approved Broker List for various types of transactions from which we select broker-dealers and other counterparties to effect transactions for client accounts. Historically, the Firm has executed securities transactions with affiliates for certain clients in limited circumstances. In the future, we will continue to evaluate the services offered by our affiliated brokers and may execute securities transactions through such brokers in a manner that is, in all cases, consistent with our duty to seek best execution.

The Firm may, in certain circumstances, participate in underwritten offerings where an affiliate is part of the syndicate, although the Firm typically will not participate in an underwritten offering for which an affiliate of the Firm acts as a lead underwriter. The Firm does not execute trades with its affiliate in these circumstances and seeks to ensure that its affiliate will not be compensated as a result of the Firm's participation in the offering. Please see Item 10 of this Brochure for more information on the use of affiliated underwriters.

### **Public Offerings**

The Firm may enter orders to participate in initial public offerings ("IPOs"). Where possible, IPO orders will be aggregated amongst client accounts within a Product Line but will not be aggregated with another Product Line. In deciding to purchase a public offering (initial public or secondary offering) key considerations include the capitalization characteristics of the security, as well as other characteristics of the security, and targets accounts with investment objectives and strategies consistent with such a purchase.

Subject to the needs and requirements of each Product Line and the relevant investment strategies participating in the order, as well as client guidelines where applicable, the IPO shares will generally be allocated on a pro rata basis. Where the Firm only receives a partial allocation of the total share amount requested, those shares will generally be distributed fairly and equitably across participating accounts. The distribution of the partial allocation across product groups will be based on the percentage of total assets under management of the product to the total assets under management of all product groups participating. If the allocation to an account is *de minimis*, the portfolio manager may decide to reallocate to the other participating clients in a fair and reasonable fashion.

Any deviation from the pro rata distribution procedure for IPOs must be approved in writing by the Chief Compliance Officer (or designee) and the portfolio manager's supervisor or his/her designees.

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

Management of each client account requires that portfolio managers implement particular strategies and investment decisions in accordance with the client's stated guidelines and applicable regulatory requirements. The Firm has adopted and implemented a number of policies, procedures and practices designed to facilitate both ongoing and periodic review of the Firm's various accounts, portfolios and strategies. A summary of the account review procedures implemented by the Firm is provided below.

Portfolio managers are primarily responsible for reviewing each of their accounts on a continuous basis. All portfolios are reviewed continuously by members of the assigned portfolio management team. Additional in-depth reviews by the portfolio managers may be triggered by factors such as contributions to and distributions from the account and market and economic changes.

The Firm's portfolio compliance team (including pursuant to a transition services agreement described in Item 10) monitors accounts on a continuous basis, including where available, through the use of an automated third party pre-trade and post-trade compliance system to ensure that new orders as well as existing holdings are in accordance with client investment guidelines and restrictions. In addition, periodic internal and external audits are conducted to ensure that portfolios are managed in accordance with client guidelines and restrictions. Any guideline breaches, including those that occur as a result of market movements, are promptly communicated and followed up on. Corrective action is taken where appropriate.

Senior investment personnel and investment risk staff conduct periodic reviews of industry quantitative and country characteristics and other relevant data to insure that portfolio managers are meeting portfolio attributes established by the Firm.

Transaction reports and performance summaries are provided to clients on a periodic basis, depending on the client's preference. These written statements describe all assets held, the quantity and market price for each position and the market value of the account. Some clients may have special deadlines and needs and, as such, may request custom reports (on performance, risk, attribution or other subjects) in addition to those statements which a client receives from its custodian. We have established a client reporting department in order to facilitate these custom requests, which may be agreed to at our discretion. If you have an interest in a custom report, please contact us. All reports are in addition to custodian statements which a client may receive from its custodian. Clients may receive additional types of reports (such as proxy voting summary reports and brokerage reports) as may be mutually agreed upon between clients and the Firm.

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

### **Unaffiliated Solicitors and Placement Agents**

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

Some of the Firm's clients may retain consulting firms to assist them in selecting investment managers. Some consulting firms provide services to both those who hire investment managers and to investment management firms. The Firm may pay to attend conferences sponsored by consulting firms and/or purchase services from consulting firms where it believes those services will be useful to it in operating its investment management business. The Firm does not pay referral fees to consultants. However, the Firm's clients and prospective clients should be aware that consulting firms might have business relationships with investment management firms that they recommend to their clients.

From time to time, the Firm may enter into agreements with third parties, providing cash compensation to solicitors who secure clients for the Firm. These agreements require that the solicitor meet the disclosure and other requirements of Rule 206(4)-3 under the Advisers Act, and comply with the requirement that each client subject to a referral arrangement receive a copy of the referral agreement prior to or at the time of entering into an agreement with the Firm. They generally provide either for compensation equal to a specified percentage of fees received by the Firm from clients referred by the solicitor or for fixed compensation payable monthly or quarterly.

### **Affiliated Solicitors and Placement Agents**

The Firm may pay referral fees to our affiliates (and/or their employees) for referrals that result in additional investment management business. For example, we may pay a referral fee to the Bank or an employee of the Bank. Please see the discussion of affiliated placement agents in Item 10 above.

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

customer relationships and developing and coordinating large and complex existing customer relationships within both Groups.

In certain circumstances our sales representatives or other Investment Management sales representatives are paid fees for sales. The fees may be based on revenues and may be a one-time payment or paid out over a number of years. In addition, our sales representatives and sales representatives of our affiliates within the Investment Management Group are paid for intra-Group referrals to Group counterparts. Those fees are based on the first year's revenue for the Group counterpart.

Sales of any alternative investment products (such as private funds) in the U.S. are affected exclusively through our broker-dealer affiliate. Only registered representatives of such broker-dealer (who are also Associated Persons of the Firm in the case of products that are commodity pools or trade commodity interests) receive compensation for sales of alternative investments. For sales of our private funds and investment advisory services outside of the U.S., we may make payments to affiliates.

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

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

## **Item 15: Custody**

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

For purposes of the Custody Rule, we are deemed to have “custody” of certain client assets because client funds or securities are held by the Bank (a related person of the Firm), we or an employee serve as a director or managing member of investment funds organized as limited partnerships or limited liability companies and/or we have the ability to direct the transfer of funds or securities or to deduct fees from client custodial accounts.

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

1. **Ability to Deduct Fees:** advisers deemed to have custody of client assets solely because of their ability to deduct fees from client accounts are not subject to the Surprise Exam Requirement, provided that certain conditions are met. To the extent that such conditions are met with respect to certain clients, the Firm will rely upon this exemption to avoid a surprise audit for those such clients.
2. **Related Person & Operational Independence:** advisers deemed to have custody of client assets solely because a related person holds client assets will not be subject to the Surprise Exam Requirement, provided the adviser and the related person are “operationally independent.” The Firm will rely upon this exemption to avoid a surprise audit for certain clients. We have determined that our operations are independent from those of the Bank.
3. **Pooled Investment Vehicles:** advisers who are deemed to have custody of the assets of clients formed as pooled investment vehicles will not be subject to the Surprise Exam Requirement, provided the pool has audited financial statements that are prepared in accordance with generally accepted accounting principles and such statements are distributed to investors in the pool within 120 days (or 180 days for funds of funds) of the end of the fiscal year. The Firm will rely upon this exemption to avoid a surprise audit for certain clients.

There may be certain situations where we are deemed to have “custody” of certain client assets, and no exception to the Surprise Exam Requirement is available. In those cases, we will arrange for an annual independent verification of funds and securities in accordance with the Custody Rule.

**Stand Alone / Separate Account Clients:** you will receive from your bank, broker-dealer, or other qualified custodian an account statement, at least quarterly, identifying the amount of funds and



each security in the account at the end of the period and setting forth all transactions in the account during that period. Please review these statements carefully. You will also receive account statements separately from us. You are strongly urged to compare the account statements you receive from us with those that you receive from your qualified custodian.

Pooled Investment Vehicle Investors: you will receive audited financial statements prepared in accordance with generally accepted accounting principles and audited by an independent public accountant within 120 days of the end of the fiscal year of the pooled investment vehicle.

If you do not receive account statements and/or audited financial statements as described above, please contact us.

### Physical Custody

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

## **Item 16: Investment Discretion**

The Firm typically accepts discretionary investment authority over client assets, and clients must grant this discretionary authority to us in writing via a contract or other writing and/or through an appointment to become the investment adviser of a private fund. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives and guidelines for the particular client account.

Clients must deliver their investment guidelines and restrictions to us in writing and, upon our agreement to abide by them, we will adhere to such guidelines and restrictions when making investment decisions.

### **Client Instructions**

In certain circumstances the Firm will agree, upon specific client request, to trade on a client instruction prior to receiving confirmation that sufficient funds to affect settlement of such trades have been received by the custodian. In such circumstances, we have procedures in place to authenticate instructions regarding the movement of cash and/or securities received by our clients and/or third parties authorized to act on behalf of our clients.



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

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

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

### **Committee Structure**

The Firm's Proxy Voting and Governance Committee (the "Committee") exercises the voting rights delegated to us by clients based on our Proxy Voting Guidelines ("Voting Guidelines"). The Committee seeks to make proxy voting decisions that are in the best interest of the client and has adopted detailed, pre-determined, written proxy voting guidelines for specific types of proposals and matters commonly submitted to shareholders by U.S. and non-U.S. companies. These Voting Guidelines are designed to assist with voting decisions which over time seek to maximize the economic value of the securities of companies held in client accounts (viewed collectively and not individually) as determined in the discretion of the Committee. We believe that this approach is consistent with our fiduciary obligations and with the published positions of applicable regulators with an interest in such matters (e.g., the U.S. Securities and Exchange Commission and the U.S. Department of Labor). We do not permit clients to direct us on how to vote in a particular solicitation. However, if a client of ours chooses to retain proxy voting authority, delegate proxy voting authority to an entity other than us or another member firm (whether such retention or delegation applies to all or only a portion of the securities within the client's account), or instruct us to use guidelines which differ from our Voting Guidelines, either the client's or such other entity's chosen proxy voting guidelines (and not the Committee's) will apply to those securities.

### **Voting Philosophy**

We recognize that the responsibility for the daily management of a company's operations and strategic planning is entrusted to the company's management team, subject to oversight by the company's board of directors. As a general matter, we invest in companies believed to be led

by competent management and, as set forth in the Voting Guidelines, we customarily vote in support of management proposals and consistent with management's recommendations. However, in our role as a fiduciary, we believe that we must express our view on the performance of the directors and officers of the companies in which clients are invested and how these clients' interests as shareholders are being represented. Accordingly, as set forth in the Voting Guidelines, we will vote against those proposals that we believe would negatively impact the economic value of clients' investments – even if those proposals are supported or recommended by company management.

We seek to vote on proxies of non-U.S. companies through application of the Voting Guidelines. However, corporate governance practices, disclosure requirements and voting operations vary significantly among the various non-U.S. markets in which our clients may invest. In these markets, we may face regulatory, compliance, legal or logistical limits with respect to voting securities held in client accounts which can affect our ability to vote such proxies, as well as the desirability of voting such proxies. Non-U.S. regulatory restrictions or company-specific ownership limits, as well as legal matters related to consolidated groups, may restrict the total percentage of an issuer's voting securities that we can hold for clients and the nature of our voting in such securities. Our ability to vote proxies may also be affected by, among other things: (1) late receipt of meeting notices; (2) requirements to vote proxies in person; (3) restrictions on a foreigner's ability to exercise votes; (4) potential difficulties in translating the proxy; (5) requirements to provide local agents with unrestricted powers of attorney to facilitate voting instructions; and (6) requirements that investors who exercise their voting rights surrender the right to dispose of their holdings for some specified period in proximity to the shareholder meeting. Absent an issue that is likely to impact clients' economic interests in a company, we generally will not subject clients to the costs (which may include a loss of liquidity) that could be imposed by these requirements. In these markets, we will weigh the associative costs against the benefit of voting, and may refrain from voting certain non-U.S. securities in instances where the items presented are not likely to have a material impact on shareholder value.

## **Securities Lending**

Generally, the Firm expects that the projected long-term economic benefit to clients in voting proxies would be exceeded by securities lending income on shares on loan. In our assessment, the resolutions being voted on are typically routine and will not have significant economic consequences and/or because the outcome would not be affected by voting all or a portion of loaned securities.

While most resolutions are routine, from time to time, the Committee in conjunction with the investment management team may determine that the expected economic benefit of voting clients' entire holding is greater than the projected lending revenue. Shares on loan are not recalled to vote unless the case can be made that the optimal voting outcome would be economically beneficial for clients and voting all eligible shares in client portfolios would increase the likelihood of achieving that outcome.

## Process

The Committee has retained the services of two independent proxy advisors (“Proxy Advisors”) to provide comprehensive research, analysis and voting recommendations. These services are used most frequently in connection with proposals or matters that may be controversial or require a case-by-case analysis by the Committee in accordance with its Voting Guidelines. The Committee has engaged one of its Proxy Advisors as its proxy voting agent (the “Proxy Agent”) to administer the mechanical, non-discretionary elements of proxy voting and reporting for clients. The Committee has directed the Proxy Agent, in that administrative role, to follow the specified Voting Guideline and apply it to each applicable proxy proposal or matter where a shareholder vote is sought. Accordingly, proxy items that can be appropriately categorized and matched either will be voted in accordance with the applicable Voting Guideline or will be referred to the Committee if the Voting Guideline so requires. The Voting Guidelines require referral to the Committee for discussion and vote of all proxy proposals or shareholder voting matters for which the Committee has not yet established a specific Voting Guideline, and generally for those proxy proposals or shareholder voting matters that are contested or similarly controversial (as determined by the Committee in its discretion).

In addition, the Committee has directed the Proxy Agent to refer to it for discussion and vote all proxy proposals of those issuers: (1) where the percentage of their outstanding voting securities held in the aggregate in accounts actively managed by the Firm is deemed significant or (2) that are at or above a certain specified market capitalization size (each, as determined by the Committee in its discretion). Generally, when a matter is referred to the Committee, the decision of the Committee will be applied to all accounts for which the Firm exercise proxy voting authority. For items referred to it, the Committee may determine to accept or reject any recommendation based on the Voting Guidelines, research and analysis provided by its Proxy Advisors or on any independent research and analysis obtained or generated by Firm portfolio managers and analysts.

Clients may receive a copy of the Voting Guidelines, as well as the Firm’s Proxy Voting Policy, upon request. Clients may also receive information on the proxy voting history for their managed accounts upon request. Please contact us for more information.

## Managing Conflicts

It is the policy of the Committee to make proxy voting decisions that are solely in the best long-term economic interests of clients. The Committee is aware that, from time to time, voting on a particular proposal or with regard to a particular issuer may present a potential for conflict of interest. For example, potential conflicts of interest may arise when: (1) a public company or a proponent of a proxy proposal has a business relationship with a BNY Mellon Corp. affiliated company; and/or (2) an employee, officer or director of BNY Mellon Corp. or one of its affiliated companies has a personal interest in the outcome of a particular proxy proposal.

Aware of the potential for conflicts to influence the voting process, the Committee consciously developed the Voting Guidelines and structured the Committee and its practices with several

layers of controls that are designed to ensure that the Committee's voting decisions are not influenced by interests other than those of its fiduciary clients. For example, the Committee developed its Voting Guidelines with the assistance of internal and external research and recommendations provided by third party vendors but without consideration of any BNY Mellon Corp. client relationship factors. The Committee has directed the Proxy Agent to apply the Voting Guidelines to individual proxy items in an objective and consistent manner across client accounts and similarly has directed the Proxy Agent to administer proxy voting for Firm clients. When proxies are voted in accordance with these pre-determined Voting Guidelines, it is the Committee's view that these votes do not present the potential for a material conflict of interest and no additional safeguards are needed.

For those proposals that are referred to the Committee in accordance with the Voting Guidelines or Committee direction, the Committee votes based upon its principle of seeking to maximize the economic value of the securities held in client accounts. In this context the Committee seeks to address the potential for conflicts presented by such "referred" items through deliberately structuring its membership. The representatives of the Committee do not include individuals whose primary duties relate to sales, marketing or client services. Rather, the Committee consists of Firm senior officers and investment professionals and is supported by members of the Firm's Compliance, Legal and Risk Management Departments, as necessary.

With respect to the potential for personal conflicts of interest, the BNY Mellon Code requires that all employees make business decisions free from conflicting outside influences. Under this Code, the business decisions of employees of BNY Mellon Corp. and its affiliates are to be based on their duty to BNY Mellon Corp. and to their clients, and not driven by any personal interest or gain. All employees are to be alert to any potential for conflict and to identify and mitigate or eliminate any such conflict. Accordingly, members of the Committee with a personal conflict of interest regarding a particular public company or proposal that is being voted upon must recuse themselves from participation in the discussion and decision-making process with respect to that matter.

Additionally, there are certain instances where an independent fiduciary will be engaged to vote proxies as a further safeguard to avoid potential conflicts of interest or as otherwise required by applicable law. These instances are considered to be "Primary Conflicted Proxies" and they typically arise due to relationships between proxy issuers or companies and Bank, a BNY Mellon Corp. affiliate and/or subsidiary, a BNY Mellon Corp. executive or a member of BNY Mellon Corp.'s Board of Directors.

We are also subject to the policies and decisions of BNY Mellon Corp.'s Proxy Conflicts Committee (the "PCC"). If a situation arises that is not identified as a Primary Conflicted Proxy, but may present an actual, potential or perceived material conflict of interest, or if there is ambiguity as to whether a Primary Conflicted Proxy exists, the PCC shall review the matter and (in the case of identified conflicts) determine how best to resolve the conflict. If the PCC determines that a conflict exists, possible resolutions may include: (1) voting in accordance with

the guidance of an independent fiduciary; (2) voting in proportion to other shareholders (“mirror voting”); (3) erecting informational barriers around, or recusal from the vote decision making process by, the person or persons making voting decisions; and (4) voting in other ways that are consistent with our obligation to vote in our clients’ best interest.

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



## **Item 18: Financial Information**

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