

# Form ADV Part 2A Brochure



CRD No. 160966 | SEC File No. 801-76368

**LGIM International Ltd**

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## Introduction

LGIM International Ltd. ("LGIMI") is an investment adviser registered with the U.S. Securities and Exchange Commission ("SEC") and authorised and regulated by the Financial Conduct Authority ("FCA") in the UK. This brochure provides information about the qualifications and business practices of LGIMI and is our Form ADV Part 2A. If you have questions about the contents of this brochure, please contact us at +44 (0)203 124 3942 or e-mail [mary-ann.colledge@lgim.com](mailto:mary-ann.colledge@lgim.com).

**The information in this brochure has not been approved or verified by the SEC or any state or foreign securities authority. Registration does not imply that LGIMI, or its associates, have attained a certain level of skill or training. We encourage you to visit the SEC's Investment Adviser Public Disclosure ("IAPD") for more information about LGIMI. The IAPD web address is [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Item 2 – Material Changes

There are no material changes to the substance of this Brochure since the last update on 30 March 2022.

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## Item 4 – Advisory Business

### A. Description of the Advisory Firm

LGIMI is a United Kingdom-based investment management company. LGIMI is registered with the SEC and authorised and regulated by the FCA in the UK. With respect to its management of client funds deemed to be “plan assets” under the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), LGIMI relies on the U.S. Department of Labor’s Qualified Professional Asset Manager exemption or other statutory or administrative prohibited transaction exemptions to avoid engaging in non-exempt prohibited transactions in those assets under ERISA and the U.S. Internal Revenue Code of 1986, as amended.

LGIMI is a wholly owned subsidiary of Legal & General Investment Management (Holdings) Ltd (“LGIM(H)”), a company incorporated under the laws of England and Wales. LGIM(H) is a wholly owned subsidiary of Legal & General Group Plc (“Legal & General”), a publicly traded company in the UK. LGIMI is an affiliate of Legal & General Investment Management America, Inc. (“LGIMA”), a Chicago-based adviser regulated by the SEC, Legal & General Investment Management Ltd (“LGIM”), a London based adviser authorised and regulated by the FCA and Legal & General Investment Management Asia Limited (“LGIM Asia”), an adviser registered with the Hong Kong Securities and Futures Commission,

In this Brochure, we use the terms “Client” to refer to the U.S. clients for whom we manage assets as an adviser or sub-adviser.

### B. Types of Advisory Services

Under an affiliate sub-advisory relationship with LGIMA, we provide investment management services as a sub-adviser to certain LGIMA clients. These Clients are Legal & General funds and companies. These include separately managed portfolio accounts (“SMA”s) and serviced portfolios of insurance companies and private funds. Our strategies include the following:

- Index tracking investment strategies (“Index Strategies”):
- High Yield active fixed income strategies (“HY Strategies”):
- Emerging Market Debt strategies (“EM Strategies”):
- Multi-Asset investment strategies (“Multi-Asset Strategies”): and
- Private Credit investment strategies across investment-grade Corporate Credit and Infrastructure Debt investments (“Private Credit Strategies”)

LGIMI and LGIMA may delegate discretionary or non-discretionary advisory services to each other via sub-advisory agreements between them. We may use the services of our affiliates, LGIM and LGIM Asia, to assist us in this, under the terms of a Participating Affiliate Agreement (“PAA”) based on guidance in no-action letters issued by the SEC Staff.

We are the sub-adviser of a private fund that is organised as a Delaware limited liability company which is exempted from the definition of “Investment Company” under Section 3(c)7 of the U.S. Investment Company Act of 1940 (“1940 Act”). The private fund is L&G Global High Yield Fund LLC.

### **C. Client Tailored Services and Client Imposed Restrictions**

LGIMI offerings are tailored to the needs of their investors in that they are subject to investment restrictions, limitations, and/or guidelines that LGIMA has agreed to with the particular investor. These are set forth in an investment management agreement (“IMA”) between LGIMI and LGIMA. Under the IMA, where assets are sub-advised we assume discretionary responsibility for the day-to-day management and investment of all securities, cash and other investment instruments agreed upon with the Client. Based upon this, we define the asset mix that we believe is most likely to achieve the investment objectives, select investments, execute transactions, and generally manage the Client’s assets.

### **D. Participation in Wrap Fee Programmes**

We do not participate in any Wrap Fee programmes.

### **E. Assets Under Management**

As of December 31, 2022, we manage approximately USD 633,480,195 on a discretionary basis and no assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### **A. How We Are Compensated for Advisory Services**

As stated above, LGIMI provides investment management services to LGIMA under an affiliate sub-advisory agreement. LGIMA charges clients as a percentage of assets under management determined at the end of each month or quarter, however, as an affiliate, LGIMI is compensated by LGIMA on a cost plus 10% basis.

### **B. Payment of Fees**

Fees are generally payable quarterly in arrears, according to the terms of the IMA.

### **C. Clients Are Responsible for Third-Party Fees**

Fees are exclusive of brokerage commissions, “spreads,” transaction fees and other related costs and expenses: these are incurred by the Client. Clients may incur certain charges imposed by custodians, brokers and other service providers such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, duties or stamp duties, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions.

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

We do not require the prepayment of fees.

## **E. Outside Incentives for Recommendations of Securities**

We do not accept any compensation from third parties for the sale of securities. All compensation received by us comes from Clients through our sub-advisory arrangements with LGIMA, as described above.

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

We do not have any performance-based fee arrangements with Clients.

## **Item 7 – Types of Clients**

We do not have any direct Clients. Our Clients are, as noted elsewhere in this Brochure, U.S. Clients of LGIMA. These are for institutions or private funds which may be pension funds and may be subject to the U.S. Employee Retirement Income Security Act of 1974 ("ERISA").

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

### **A. Methods of Analysis and Investment Strategy**

#### *1. HY Strategies*

Portfolio construction for Clients wishing to pursue a HY Strategy begins with consideration of the Client's investment objectives with respect to risk and potential returns. The universe of acceptable securities is coded into our pre and post trade monitoring systems. The IMA stipulates the allowable types of investments and permissible ratings, concentrations and restrictions. The team reviews the IMA to ensure that it understands what it can and cannot do.

Investment decisions with respect to issuer and specific bond exposures are reliant on the joint work of the Portfolio Management and the Credit Research Teams. The Credit Research Team specializes in different sectors, industries, and asset classes. The analysts in the Credit Research Team review financial results, management strategy, asset protection, covenants, collateral and other factors, in formulating their recommendations. The Credit Research Team analysts and Portfolio Management Team members communicate about changes in research opinions.

The securities and instruments in which we invest on behalf of clients include corporate bonds, preferred instruments, convertible bonds, interest rate derivatives, and foreign exchange forward contracts.

## *2. Index Strategies*

For Clients wishing to pursue an Index Strategy, assets will be managed by LGIMA, but advisory services will also be provided by LGIMI under the terms of a sub-advisory agreement. Here, the product focus is on equity index tracking investments, principally non-U.S. (tracking MSCI and/or FTSE indices or similar) and U.S. domestic (tracking S&P and/or Russell indices or similar). LGIMI, under the terms of a sub-advisory agreement with LGIMA, will advise on and, at times, manage assets for this strategy, and will support LGIMA in executing EMEA or other orders as required. Bond tracking investments, to the extent that these are required, will also be provided. All investments will be managed on a discretionary basis. Investment managers will have the discretion to invest in shares (ordinary and preferred), depositary receipts (both American and Global), warrants, collective investment schemes, convertibles, government bonds, Eurobonds, commercial paper, certificates of deposit and exchange traded futures and options (both single stock and index). These will be traded on those venues and with those counterparties judged to give best execution. There will be no OTC derivatives other than forward foreign exchange trades used for hedging purposes.

## *3. Emerging Markets Debt Strategies*

Portfolio construction for Clients wishing to pursue an Emerging Markets Debt Strategy begins with consideration of the Client's investment objectives with respect to risk and potential returns. Once this occurs, the Client's portfolio is grouped into a composite with those of other clients, if any, with similar investment objectives, guidelines, restrictions, and benchmarks. This process helps the Portfolio Management Teams define the universe of acceptable securities to be considered for investment. Assets are purchased on the basis of and subject to the investment objectives and restrictions in the Client's IMA. The IMA stipulates the allowable types of investments and permissible ratings, concentrations, and restrictions. The team reviews the IMA to ensure that it understands what it can and cannot do. It maintains communications with Clients to ensure that it processes properly and timely every change to the IMA, including investment objectives and restrictions. Every decision to buy or sell is taken within the parameters of the investment objectives and restrictions.

Investment decisions with respect to issuer and specific bond exposures are the responsibility of our Portfolio Management team with input from strategists, economists and credit analysts. Economists and strategists are specialized by region/country with credit analysts specializing by sectors, industries, and asset classes. Credit analysts review financial results, management strategy, asset protection, covenants, collateral and relative valuations, and other factors such as ESG considerations, in formulating their recommendations. Strategists, economists and credit analysts stay in constant communication with Portfolio Management Team members about changes in research opinions and market dynamics. Portfolio managers regularly consult with them when considering transactions.

The securities and instruments in which we invest on behalf of clients include government bonds and bonds issued by corporations. These securities have variable interest repayment terms which may be fixed or floating, index-linked or zero coupon bonds and can include loan participation notes, structured notes, covered bonds, asset backed and mortgage related securities, perpetual bonds, hybrid fixed income securities, preferred securities, convertible securities, and contingent convertible debt securities.

In addition to investing directly in the instruments listed above, the Portfolio Management team may seek to gain exposure to these investments by investing in financial derivative



instruments which deliver a return which is similar to investing directly in the target investments themselves. These financial derivative instruments may include spot and forward contracts, exchange traded futures on bond markets or interest rates, fixed or index-linked interest rate swaps, single name and index credit default swaps and total return swaps and credit linked notes (CLNs). In addition, repurchase agreements (repos and reverse repos) may be used for funding purposes.

#### *4. Multi-Asset Strategies*

Clients wishing to pursue a multi-asset strategy will generally utilize a wide variety of asset classes or investment styles. The strategies will employ a variety of techniques and investment vehicles, including the utilization of a wide variety of derivatives (exchange traded, over the counter, and/or centrally cleared), physical investments (including cash), or a mix thereof.

#### *5. Private Credit Strategies*

For clients wishing to pursue a private credit mandate, LGIMI offers a broadly investment-grade private credit strategy including (i) corporate private placements for both public and private companies and (ii) infrastructure private placements focusing on economic infrastructure (such as transportation, utility, power generation, and energy sectors) and social infrastructure (government, healthcare, and university facilities) and, iii) real estate lending. The strategy will allow clients to increase diversification into an asset class with attractive risk-reward characteristics as a result of illiquidity or complexity premiums and structural protections relative to liquid, publicly traded bonds of comparable credit quality. LGIMI's strategy will utilize sound fundamental credit analyses with focus on structural protection (including financial covenants and collateral) through legal documentation appropriate pricing premiums. The strategy will focus on all private debt formats, including traditional private placements (Section 4(a) 2 or Regulation D exemption, Rule 144A re-sale) illiquid bond institutional loans, swaps with fixed, index-linked and floating rate payment structures. Currencies include Sterling, US dollars and Euros and other major G10 currencies.

#### *6. Sustainability Policy*

LGIM(H) is a signatory of the United Nations-supported Principles for Responsible Investment and has adopted a global Sustainability Policy that applies to investment activities by all subsidiaries, including LGIMI (the "Sustainability Policy"), and which is in line with the E.U. Sustainable Finance Disclosure Regulation ("SFDR").

**General Information:** Under SFDR, "sustainability risk" means an environmental, social or governance ("ESG") event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment. The Sustainability Policy therefore approaches sustainability risks ("Sustainability Risks") from the perspective that ESG events might cause a material negative impact on the value of clients' investments. The key aspects of the approach taken by LGIMI to integrate Sustainability Risks that apply across investment strategies are as follows:

- Direct active engagement with investee companies on matters including, but not limited to, climate change, remuneration and diversity;

- Applying a common global strategy with respect to the use of voting rights and setting expectations of investee companies with regards to planning and the management and disclosure of sustainability issues. These principles impact on voting decisions and for certain specific themes such as climate, gender and racial diversity there are structured voting and engagement processes in place;
- By seeking to partner with regulators and policymakers to address Sustainability Risks; and
- Active collaboration with other investors and stakeholders in investee companies as to the on-going application of sustainable principles.

We can provide a copy of the Sustainability Policy upon request.

*Passive Index Strategies:* In respect of index-tracking accounts, whose investment policy is to replicate the relevant index, Sustainability Risks cannot directly influence a decision as to whether the account can invest in a particular security as this will ultimately be driven by the constituents of the relevant index. However, LGIMI will engage with issuers on sustainable matters whose securities are components of the relevant indices. A key component of this approach is active ownership, whereby LGIMI, together with its global affiliates, uses its scale to encourage the companies in which its clients invest to consider Sustainability Risks, develop resilient strategies, apply longer-term thinking and consider their stakeholders. Engagement activities normally focus on specific material ESG issues and involve formulating an engagement strategy with regards to such issues with the view to tracking and reviewing the progress of the targeted companies during this process.

*Active Strategies:* In addition to the key aspects set out above, the approach taken by LGIMI in respect of active strategies is as follows:

- Investment Research: Applying forward-looking ESG considerations using proprietary tools to identify material ESG factors and make informed investment decisions in an effort to avert sustainability risks and seek out sustainable opportunities. For example, for Global HY strategies, ESG factors may impact our investment decisions to the extent we believe that an ESG issue is material to the credit-worthiness of an issuer.
- Active Engagement: Global research and engagement groups bring together sector expertise from across active investment and stewardship teams to streamline engagement activities.

## **B. Risks**

LGIMI has policies and procedures in place reasonably designed to mitigate or limit many of the risks to which the LGIMI offerings are subject. However, there can be no guarantee that LGIMI will be able to mitigate, limit or control all risks, or even foresee all risks, applicable to the LGIMI offerings or LGIMI itself.

### *1. Material Risks*

*General Investment Risks:* All investors bear certain risks when investing their money, regardless of the asset class, sector or instrument chosen. Securities or other financial instruments may fluctuate in value or lose value or may expose a client account to counterparty risks. Associated risks include, but are not limited to, pandemics, cyberattacks, social instability, terrorism or war, and political variations.

**Liquidity Risk:** Securities investments may at any given time be illiquid such that either no market exists for them or they are restricted as to their transferability under federal and state securities laws. Thus, the sale of these investments may be made at substantial discounts, delayed, or impossible. In addition, the illiquidity of a security or other instrument may make valuation of such investment difficult.

**Cybersecurity and Technology Risks:** The use of technology is prevalent in the ordinary course of business and is, at times, outsourced to a service provider. As a result, the firm could become more susceptible to operational and other risks through breaches that could occur. In general, cyber incidents can result from deliberate attacks or unintentional events, including inadvertent disclosures, and can arise from either external or internal sources for purposes of misappropriating assets or sensitive information; corrupting data, equipment, or systems; or causing operational disruption. Although LGIMI takes protective measures and endeavours to modify its systems, software and networks as circumstances warrant, these remain vulnerable to hacking/unauthorized access, misuse, social engineering, viruses, malware, ransom ware, denial of service attacks, other malicious code and other events that could have an impact on the security of our information.

We believe we have established reasonable controls to secure our systems, so they work as intended. Furthermore, we conduct reasonable due diligence on our material service providers both at the stage of initial procurement and on an ongoing basis through LGIM's Supplier Management Committee for global service providers. Cyber incidents affecting LGIMI, or any service providers, can affect business operations; create impediments to trading transacting business which could result in financial losses, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. We have plans in place to respond to both internal and external breaches by making a financial and operational assessment, quickly recovering and resuming operations, protecting all of the firm's books and records, and allowing our clients to transact business as promptly and prudently as reasonably practicable. We seek contractual guarantees to have every service provider notify us of any security breaches or inadvertent disclosures that may affect us or the data we manage. However, there is no guarantee that (i) such efforts will succeed, (ii) service providers will promptly notify us, especially when we do not directly control the systems of third party service providers, or (iii) clients will not be harmed as a result of cyber-attacks or similar issues.

## *2. Risks of Fixed Income and Multi-Asset Strategies*

**Fixed Income Market Risk:** Fixed income securities' value generally increase or decrease based on changes in interest rates. If interest rates increase, the value of fixed income securities is highly likely to decline. On the other hand, if rates fall, the value of the fixed income securities is highly likely to increase. The longer a fixed income instrument's duration, the greater the impact a change in interest rates can have on its price.

**Call Risk, Prepayment Risk, and Reinvestment Risk:** A callable fixed income security allows the issuer to call, or repay, the security early. Declining interest rates may accelerate the redemption of a callable security, causing an investor's principal to be returned sooner than expected. In that scenario, investors have to reinvest the principal at the lower interest rates. The risk exists that declining interest rates will cause borrowers to refinance sooner than expected and thereby create an early return of principal to holders of the loans. Particularly for mortgage-backed securities, the risk exists that declining interest rates or a strong housing

market will cause mortgage holders to refinance or otherwise repay their loans sooner than expected and thereby create an early return of principal to holders of the loans.

**Credit Risk:** Fixed income and derivative transactions involve counter-party credit risk and will expose clients to possible unanticipated losses to the extent that counter-parties default or are unable or unwilling to fulfil their contractual obligations. If an issuer defaults, it would be unable to pay scheduled interest and principal payments. Thus, an investor who experiences a default is highly likely to experience a loss in value. Fixed income securities can also be subject to a decline in credit ratings. As these ratings are one of the mechanisms the market uses to price risk, a decline in the credit rating often leads to a decline in the market value of the security.

**Issuer Risk:** The value of a fixed income security may decline because of negative events or circumstances that directly relate to conditions at the issuer, its affiliates or to any entity providing it credit support.

**Asset-Backed Securities:** Asset-backed securities decline in value when defaults on the underlying assets (e.g., mortgages, student loans etc.) occur and these securities exhibit increased volatility in periods of changing interest rates. When interest rates decline, the resulting prepayment of mortgages or assets underlying such securities results in diminished returns.

**Convertible Bonds:** Convertible bonds are subject to risk of loss due to changes in interest rates and credit quality and are further subject to the risk that the underlying equity will lose value, affecting the price of the bond. Falling equity prices will generally exert a negative influence on convertible bond prices, while rising equity prices are a positive factor.

**High Yield Risk:** Issuers of high yield bonds are typically of a lower credit rating, which will make them more sensitive to market fluctuations and credit risk in a shorter period than those of a higher quality rating. Due to the liquidity risk of high yield bonds, a portfolio may not be able to dispose of a bond at a favorable price or prior to a default, which could impact the portfolio. Typically, these bonds are unsecured or possibly subordinated debt of a company and, therefore, a client could be at risk of losing a large portion or its entire investment in the case of a default.

**Leveraged Loan Risk:** Leveraged loans carry a higher risk of default than investment grade bonds and, as a result, they tend to pay higher interest rates. The loan market has lower trading activity than the high yield bond market which can impair the ability to realize full value if sold before maturity. The specific collateral used to secure a loan can decline in value or become illiquid, which would adversely affect the loan's value. These instruments introduce additional risks if they do not settle delivery versus payment.

**Derivatives:** We invest on behalf of our clients in both exchange-traded and OTC derivatives (both cleared and non-cleared), including, but not limited to, futures, options, forwards, swaps, and swaptions, primarily for hedging purposes. These instruments can be highly volatile and illiquid and expose clients to a risk of loss and a risk that changes in the value of a derivative held by the strategy will not correlate with the underlying instruments of the strategies of other investments. The initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract can result in a profit or a loss which is high in proportion to the amount of funds placed as initial margin and further result in unquantifiable additional loss exceeding any margin deposited. OTC derivatives also involve counterparty solvency risk and the risk that a buyer may not be able to be found, given the lack of an exchange market. These instruments introduce additional risks if they do not settle delivery versus payment.

*Counterparty Risk:* Fixed income securities and derivative transactions involve counterparty credit risk and will expose clients to possible unanticipated losses to the extent that counterparties default or are unable or unwilling to fulfill their contractual obligations.

*Commodity Risk:* Investments in commodity linked derivative instruments subject the investor to greater volatility than investments in traditional securities. The value of these instruments is affected by changes in overall market movements, commodity index volatility, changes in interest rates or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Commodity prices fluctuate for myriad reasons, including changes in market and economic conditions, the impact of weather on demand, levels of domestic production and imported commodities, energy conservation, U.S. and non-U.S. governmental regulation and taxation and the availability of local, intrastate and interstate transportation systems. Volatility of commodity prices, which can lead to a reduction in production or supply, can also negatively impact the performance of companies in natural resource industries that are solely involved in the transportation, processing, storing, distribution or marketing of commodities. Volatility of commodity prices make it more difficult for companies in natural resources industries to raise capital to the extent the market perceives that their performance may be directly or indirectly tied to commodity prices. In addition, the regulation of commodities is extensive and variable, and regulatory or political events could have an adverse effect on the performance of commodity linked investments. Furthermore, the restrictions on “insider trading” have not historically been applicable to the commodities markets. Consequently, a Fund could trade at a material disadvantage to other market participants with better market access or information sources. There is some uncertainty about whether the CFTC, pursuant to authority granted by the Dodd Frank Act, will impose restrictions similar to the “insider trading” restrictions that have historically applied to the securities markets.

### *3. Risks of Equity Securities and Index Strategies*

*Index-Related Risk:* Index strategies are passively managed in accordance with index guidelines and do not take a defensive position based on market volatility. An index portfolio has a limited ability to adjust its exposure to market disruptions, which could have an adverse effect on its exposure to the required index levels to track its underlying index. There is no guarantee that an index strategy will achieve a high degree of correlation to its underlying index and, therefore, achieve its investment objectives.

*Currency Risk:* Currency risk has varying avenues of risk exposure and should be considered as part of the overall index strategy risk. Several key currency risks that should be considered include the availability or access to the underlying non-U.S. currency, adverse actions taken by the central bank or the local government, political turmoil within the region, and exchange rate erraticism; all of which can have a negative impact on the portfolio. Portfolios purchase or sell future or forward contracts of non-U.S. currencies to hedge the uncertainty of currency rates, to the extent permissible in the guidelines.

*Emerging Market Risk:* Investing in emerging market securities imposes increased risks over more developed markets based on several factors, which include but are not limited to, the liquidity of the securities, currency fluctuation, development of regulation and oversight, political risk, and other extraneous factors, such as health risk and regional risk due to the impact of terrorism or war. Due to these various factors, the volatility of the securities traded in these markets could fluctuate more widely than those of developed markets.

**Equity Security Risk:** Equity securities for the index strategies are traded on multiple securities exchanges and thus will be subject to fluctuations in value. These fluctuations are impacted by global or local economic conditions, regional or local political issues, currency fluctuations, or taxation implications; all of which can impact the success of a company and their underlying stock.

**Non-U.S. Issuer Risk:** Investing in non-U.S. securities subject a client to a variety of risks that are associated with non-U.S. markets and different regulatory requirements governing those markets. Non-U.S. security markets are more susceptible to factors that impact greater price fluctuations and include broad currency deviations, liquidity of a security or restrictions to access the market, non-U.S. government restrictions, political unrest, and regional risk; all of which can affect the rapid and extreme changes of value on a non-U.S. market. These instruments introduce additional risks if they do not settle delivery versus payment.

**Sanction Risk:** Investing in non-U.S. securities may inadvertently subject the client to economic sanction exposure imposed by the U.S. Office of Foreign Assets Control ("OFAC"). We conduct proper screening prior to trading in or out of sanctioned securities to ensure compliance with OFAC regulations. Economic sanction laws in the United States and in other jurisdictions prohibit us and the accounts we trade on behalf of, from transacting with or in certain countries and with certain individuals and companies. Such laws and regulations may make it difficult in certain circumstances for us to meet certain investment objectives, particularly for passive index strategies if the relevant index is not adjusted to remove the affected securities.

**Securities Lending Risk:** A fund, or a share class of a fund, that engages in securities lending will be subject to the risks associated with the lending of securities, including the risks associated with defaults by the borrowers of securities subject to the securities lending program and the credit, liquidity and other risks arising out of the investment of cash collateral received from the borrowers. An LGIMA Fund may have a Securities Lending Class and a Non-Lending Class. In such case, the fund has contractually agreed with the securities lending agent that any costs, liabilities or risks associated with the Securities Lending Class' securities lending program are intended to be borne only by the investors in the Securities Lending Class. However, investment in such a fund involves the risk that the benefits or liabilities of securities lending intended exclusively to be allocated to, or borne by, the Securities Lending Class could be allocated to, or borne by, the Non-Lending Class. There can be no assurance that any losses incurred by such a fund related to securities lending will be confined to the Securities Lending Class, and any such losses could negatively impact the value of the Non- Lending Class in that fund. A securities lending agent typically receives a portion of any investment return to a fund attributable to the securities lending program as compensation for its securities lending service, and such compensation give rise to conflicts of interest for the agent.

**Stock Market Risk:** Equity securities that are freely traded on the open markets are subject to volatility and fluctuations in the market and will have periods of both increasing and decreasing value.

**ETF and Investment Company Risk:** To the extent a passive index strategy fund invests in shares of other investment companies, including ETFs, the fund bears both its own expenses and the expenses of the underlying investment company. ETFs are intended to provide investments results that, before expenses, generally correspond to the price and yield performance of the corresponding market index, and the value of the ETFs' shares should, under normal circumstances, closely track the value of the index's component securities. Because an ETF has operating expenses and transaction costs, while a market index does

not, ETFs that track indices typically will be unable to match the performance of the index exactly. Moreover, the price movement of an ETF might not track the underlying index and thus can result in a loss or tracking error.

*Small and Mid-Cap Stock Risk:* Compared to large-cap companies, small and mid-cap companies are subject to more sudden or erratic movements in stock price than larger and more established large cap companies. These companies are also subject to adverse developments, such as management inexperience, or low trade volume.

#### *4. Sustainability Risks*

*Sustainability Risks Generally:* LGIMI considers that Sustainability Risks may be relevant to the performance of client accounts. SFDR defines Sustainability Risk as an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment. Sustainability Risks can broadly be divided into three categories of environmental, social and governance risks and can include (without limitation) climate change, carbon emissions, harm to biodiversity, human rights violations, breaches of employee rights, lack of board diversity and bribery and corruption. Sustainability Risks are relevant as both standalone risks as well as crosscutting risks, which manifest through many other risk types, which are relevant to client assets. For example, the occurrence of a Sustainability Risk can give rise to financial and business risk in the case of a negative impact on the credit worthiness of other businesses. The increasing importance given to sustainability considerations by both businesses and consumers means that the occurrence of a Sustainability Risk may result in significant reputational damage to affected businesses. The occurrence of a Sustainability Risk may also give rise to enforcement risk by governments and regulators as well as litigation risk.

*Potential Impact of Sustainability Risks:* The impacts following the occurrence of a Sustainability Risk may be numerous and vary depending on the specific risk and asset class. In general, where a Sustainability Risk occurs in respect of an asset, there could be a negative impact on its value and in certain scenarios may result in the entire loss of its value. For a company, this may be as a result of the reputational damage with a consequential fall in demand for its products or services, loss of key personnel, exclusion from potential business opportunities, increased costs of doing business and/or increased cost of capital. A company may also suffer the impact of resulting fines and other regulatory sanctions. The necessary time and resources of the company's management team associated with managing the Sustainable Risk may be diverted from otherwise furthering its business and be absorbed seeking to deal with the Sustainability Risk and may include changing business practices and dealing with regulatory investigations and litigation. Sustainability Risks may also give rise to loss of assets and/or physical loss including damage to real estate and infrastructure. The utility and value of assets held by companies to which the LGIMI Clients are exposed to may also be adversely impacted by a Sustainability Risk.

A Sustainability Risk may arise and impact a specific investment or may have a broader impact on an economic sector, geographical regions and/or jurisdictions and political regions. Many economic sectors, regions and/or jurisdictions, including those in which the LGIM America clients may invest, are currently and/or in the future may be, subject to a general transition to a greener, lower carbon and less polluting economic model. Drivers of this transition include governmental and/or regulatory intervention, evolving consumer preferences and/or the influence of non-governmental organisations and special interest groups.

Laws, regulations and industry practices play a significant role in controlling the impact on sustainability factors of many industries, particularly in respect of environmental and social factors. Any changes in such measures, such as increasingly stringent environmental or health and safety laws, can have a material impact on the operations, costs and profitability of companies. Further, companies which are in compliance with current measures may suffer claims, penalties and other liabilities in respect of alleged prior failings. Any of the foregoing may result in a material loss in value of an investment linked to such companies.

Further, certain industries face considerable scrutiny from regulatory authorities, non-governmental organisations and special interest groups in respect of their impact on sustainability factors, such as compliance with minimum wage or living wage requirements and working conditions for personnel in the supply chain. The influence of such authorities, organisations and groups along with the public attention they may bring can cause affected industries to make material changes to their business practices, which can increase costs and result in a material negative impact on the profitability of businesses. Such external influence can also materially impact the consumer demand for a company's products and services, which may result in a material loss in value of an investment linked to such companies.

Sectors, regions, businesses and technologies which are carbon-intensive, higher polluting or otherwise cause a material adverse impact on sustainability factors may suffer from a significant fall in demand and/or obsolescence, resulting in stranded assets the value of which is significantly reduced or entirely lost ahead of their anticipated useful life. Attempts by sectors, regions, businesses and technologies to adapt in order to reduce their impact on sustainability factors may not be successful, may result in significant costs being incurred, and future on-going profitability may be materially reduced.

**Assessment and Mitigation of Sustainability Risks:** To the extent that a sustainability event occurs, there may be a sudden, material negative impact, including entire loss, on the value of an investment, and hence the net asset value of the relevant client account. Therefore, LGIMI endeavours to assess, on an on-going basis, the impact of Sustainability Risks on the performance of client accounts by bringing together both quantitative and qualitative assessments in order to monitor and mitigate a wide range of Sustainability Risks that might impact its clients. In order to assist it in managing these Sustainability Risks and seeking to mitigate the potential for material negative impacts on the Funds, LGIMI embeds Sustainability Risks in the investment decision-making process across asset classes and investment teams, through an integrated ESG framework for responsible investing. However, there can be no assurance that such framework will fully mitigate all Sustainability Risks across client accounts.

## Item 9 – Disciplinary Information

There are no legal or disciplinary events that are material to a Client's or prospective Client's evaluation of LGIMI's advisory business or the integrity of LGIMI's management.



## Item 10 – Other Financial Industry Activities and Affiliations

Our sole business is acting as a sub-advisor to LGIMA Clients. We are not engaged in any other business endeavour.

### A. Registration as a Broker-Dealer or Broker-Dealer Representative

Neither we, nor any management person, are registered in the United States as a broker-dealer or as representatives of a broker-dealer.

### B. Registration as a Futures Commission Merchant, Commodity Pool Operator or a Commodity Trading Advisor

Neither we nor any of our management persons are registered as an FCM, CPO or CTA.

### C. Relationships Material to this Advisory Business and Conflicts of Interests

#### 1. Related Persons

We identify our Related Persons (as defined in the Form ADV Glossary of Terms) in our Form ADV Part 1. We have Directors who serve on the boards of these Related Persons. We have controls in place to address the conflicts of interest arising from these relationships so that they do not conflict with the fiduciary duty each of our Directors owes to us.

Entities Controlling Us: As noted above, we are a wholly owned subsidiary of LGIM(H) which, in turn, is a wholly owned subsidiary of Legal & General Group Plc. Legal & General has number of affiliated entities domiciled in U.S. and non-U.S. jurisdictions, some of which are described below. LGIM(H) and Legal & General directly and indirectly, as applicable, control but do not supervise LGIMI. LGIMI has its own Board of Directors, Chief Executive Officer, Chief Compliance Officer and other C-suite executives and staff to implement and enforce its own policies, procedures and controls.

Entities Under Common Control: Legal & General Investment Management Holdings, Limited ("LGIM(H)"). LGIM(H) is a financial service holding company wholly-owned by Legal & General Group PLC, ("Legal & General"), We have deemed LGIM(H)'s subsidiaries as Related Persons. These include:

- LGIM, an adviser authorized and regulated by the U.K. FCA,
- LGIMA, an adviser registered with the SEC, the U.S. Commodity Futures Trading Commission ("CFTC") and the Ontario Securities Commission ("OSC") and the Quebec Autorité des Marchés Financiers ("AMF") in Canada, and is a member of the U.S. National Futures Association ("NFA"),
- Legal & General Investment Management United States Holdings, Inc. ("US Holdings"), which itself is a wholly owned subsidiary of Legal & General Investment Management Holdings,
- Legal and General Assurance (Pensions Management) Limited ("PMC"), a unit linked insurer and pension fund management business authorised by the Prudential

Regulation Authority (“PRA”) as an insurance company and is dual regulated by the FCA,

- Legal & General (Unit Trust Managers) Limited (“UTM”), an adviser authorised and regulated by the FCA,
- LGIM Real Assets (Operator) Limited, an adviser authorized and regulated by the FCA and registered with the OSC (“LGIMRAO”),
- Legal & General Investment Management Asia Limited (“LGIM Asia”), an adviser registered with the Hong Kong Securities and Futures Commission,
- Legal & General Investment Management Japan KK (“LGIM Japan”), an adviser regulated by the Japan Financial Services Agency, and
- LGIM Managers (Europe) Ltd (“LGIM Europe”), a collective portfolio management company which has regulatory permissions for segregated portfolio management, is the UCITS manager for Legal & General ICAV (ICAV) and LGIM Liquidity Funds Plc (“LLF”) and acts as the Authorized Investment Fund Manager to LGIM (Ireland) Risk Management Solutions Plc (“LIRMS”), which are each authorized and regulated by the Central Bank of Ireland.

Certain officers or directors of these Related Persons are officers or directors of our company, including Michelle Scrimgeour, Chair of the LGIMA, LGIM and U.S. Holdings Boards of Directors and CEO of LGIM(H), and Sonja Laud, Chief Executive Officer LGIM. We direct you to Item 7.A of Form ADV Part 1A for the complete list of our Related Persons.

## *2. Material Relationship – Client Relationships*

U.S. Affiliates: Legal & General Overseas Operations Limited is wholly owned by Legal & General and is the parent of Legal & General America, Inc. (“LGA”), a Delaware corporation and U.S. insurance company. LGA wholly owns Banner Life Insurance Company (“Banner”), a Maryland insurance company, and William Penn Life Insurance Company of New York (“Penn”), a New York insurance company. We provide discretionary investment advisory services to Banner and Penn through sub-advisory arrangements with LGIMA.

Non-U.S. Affiliates: LGIMI does not manage any assets for non-U.S. affiliates.

## *3. Material Relationship – Shared Business Activities*

We describe below affiliated relationships that involve material shared business activities. To address the conflicts that arise because of these shared relationships and activities, we have implemented a variety of controls, including informational and operational barriers, among LGIMI and the affiliates below to safeguard our client information, and we collaborate with LGIM, LGIM(H) and LGIMA in the monitoring of these controls, including surveillance of personal account trading activity. These affiliated relationships are documented via formal contracts. The foregoing controls and contracts are periodically reviewed and monitored for compliance.

LGIM(H) Services Agreements: LGIMI and LGIM(H) have entered into a services agreement whereby LGIM(H), provides certain non-regulated services, subject to agreed-upon fees. These services include, but are not limited to: administrative support (computer data processing, administration of banking, insurance and reinsurance, HR); accounting, actuarial, press office and planning services, regulatory services including managing the membership

requirements for all relevant organisations, services pertaining to the provision and management of desktop computers, network servers, telephony and data networking either directly or through local providers.

**LGIMA/LGIMI Sub-Advisory Agreement:** LGIMA has appointed LGIMI as sub-advisor for its Global High Yield and Private Credit strategies and may from time to time request ancillary services in respect of any of LGIMA's portfolios that are under LGIMA's management but which are not specifically delegated. Under this arrangement, LGIMI provides discretionary advisory and trading services, including currency hedging and trading in non-U.S. markets for Index strategies. Specifically, with respect to Passive Index strategies, LGIMI traders route securities orders for execution to external broker-dealers. LGIMA is the only client of LGIMI. LGIMA's clients contract with LGIMA, not LGIMI, and LGIMA remains fully responsible for the client relationship, including all account opening requirements, marketing, IMA negotiations, client on-boarding, client reporting, and client servicing.

LGIMA has delegated to LGIMI as sub-advisor certain additional U.S. regulated activities applicable across strategies, including asset pricing and valuation and Stewardship/proxy voting. These activities are handled collectively across LGIM(H) subsidiaries to ensure consistent processes for the same holdings globally. With respect to asset pricing and valuation, LGIMI has an asset pricing framework that sets out the policies and procedures for pricing securities and financial instruments to ensure a fair, accurate and consistent valuation. The approach uses automated feeds from multiple pricing vendors where practicable. The actual price utilized is governed by a series of hierarchies. The Asset Pricing and Valuations Committee oversees and approves pricing policies and methodologies across all asset classes. It also has the responsibility for ensuring appropriate procedures are in place to resolve pricing issues as and when they arise. The committee chair and membership are drawn from directors and senior managers within the business. Controls have been implemented to ensure that the pricing feeds that are used to value assets are independent from any Legal & General group company and cannot be amended or substituted (although prices can be challenged through a documented, monitored and controlled price challenge process).

#### *4. Material Relationship – Conflicts of Interest Activities*

**Trading in Legal & General Stock:** For some Index tracking strategies, we are required to transact in the stock of our ultimate parent company, Legal & General Group PLC, which is a publicly traded security in the U.K. that trades on the London Stock Exchange and is a constituent of the FTSE 100 Index ("L&G stock") (ticker: "LGEN.LN"). As a consequence of LGIMI's status as a subsidiary of Legal & General and given the access that certain LGIMI officers and directors have to unpublished price-sensitive information relating to Legal & General (the U.K. equivalent to non-public material information), we prohibit trading in L&G stock in personal accounts by individuals who could have access to this information during any period which is restricted.

**Related Persons Transacting in Same Assets:** From time to time, a client account will buy, hold or sell a security that a Related Person of ours has, independently, caused one of its own clients to buy, hold or sell. Our research, recommendations and placing of orders are done independently from the orders placed for clients of affiliates and all Related Persons. If investments in the same security were to occur, it would be the result of separate and independent research, recommendations and trading activity, and not through information sharing (intentional or otherwise), knowledge, or any other means

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

### A. Code of Ethics

We administer and enforce a Code of Ethics (“Code”) pursuant to Advisers Act Rule 204A-1 under U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”). Below is a summary of our Code. The Code is available to our clients and prospective clients upon request.

It is LGIMI’s policy that all employees should comply with the highest ethical, business, and legal standards in the conduct of their business and in their dealings with business contacts. LGIMI personnel owe a duty of loyalty, fairness, and good faith towards clients, and have an obligation to comply with not only the specific provisions of the Code but also the general principles that guide the Code. The Code includes policies and procedures to address ethical standards of behaviour, conflicts of interest, personal account trading, gifts and entertainment, outside business activities and board appointments, private placements, political and charitable donations, the handling of material, non-public information (“MNPI”), protecting our corporate and client confidential information, the reporting of violations of the Code, and other requirements. Sanctions, which may include enhanced supervision, censure, suspension, or termination, can be imposed on any employee who violates the Code. The LGIMI Compliance team monitors compliance with the provisions of the Code and provides periodic updates to the management team.

We treat all employees, executive directors and certain persons engaged with us (i.e. independent contractors) as “Access Persons” and “Supervised Persons”, as defined and used in the Advisers Act and therefore subject to the Code. In addition, certain provisions of the Code related to personal account trading pertain to Access Persons and their “Connected Persons” (i.e., family members living in their households and/or sharing beneficial ownership of securities). All Access Persons under the Code annually acknowledge receipt of the Code and certify their compliance with it.

### B. Participation or Interest in Client Transactions

Disclosed below are client transactions that we believe may fall within the enumerated categories under Items 11.B, 11.C and 11.D of Form ADV Part 2A. LGIMI has established policies, procedures and controls reasonably designed to mitigate or limit any adverse impact to clients from these and any other conflict of interest transactions.

*Cross Trades:* Currently, LGIMI does not actively engage in cross trades in connection with any strategies.

*Simultaneous Purchase/Sale of Securities for Multiple Client Accounts:* LGIMI may recommend that one of its clients purchase or sell an investment that is being sold or purchased, respectively, at the same time by another advisory client of LGIMI or its affiliates. With respect to simultaneous transactions, which may be conflicting transactions, by LGIMI Clients, LGIMI mitigates this conflict of interest through its Allocation Policy, which requires that each client’s transaction is being done in the best interest of such client, regardless of how other clients are transacting. Simultaneous transactions by LGIMI and its affiliates for their various clients would be the result of separate and independent research,

recommendations, and trading activity, and not through information sharing (intentional or otherwise), knowledge, or any other means.

### **C. Personal Trading**

Personal investment trading may only be undertaken consistent with our Code, which contains controls intended to prevent our personnel from investing in conflict with the interests of Clients. Among these is a prohibition on trading in corporate fixed income securities for personal accounts. Nonetheless, our personnel may be invested in the same securities as our Clients, and may invest in equity securities directly, or as the reference entity of a derivatives contract issued by the same issuer from whom we invest in fixed income or equity securities for Clients. From time to time, after obtaining pre-clearance approval, employees may buy or sell securities for themselves at or around the same times as that we buy or sell the same securities on behalf of clients. It is our express policy that no Access Person or Associated Person shall breach a fiduciary duty owed to a client, misuse confidential client information, place his or her own interests ahead of those of a client, or make personal investment decisions based on the investment decisions or orders being worked for clients. To ensure compliance with this overarching policy and all personal trading requirements under the Code, our Compliance Department monitors all personal trading activity on an ongoing basis. Any material personal trading violations are reported to LGIMI's Executive Risk Committee and HR via the Conduct Risk Referral process for sanctioning.

## **Item 12 – Brokerage and Trading Practices**

### **A. Factors Used to Select Broker-Dealers and Counterparties**

#### *1. Selection and Monitoring of Broker-Dealers and Counterparties, Generally*

We are authorized to select broker-dealers and counterparties with whom to execute transactions on behalf of clients. We generally are not required to provide notice to, consult with, or seek the further consent of clients prior to engaging in transactions. Counterparties may include multi-lateral trading facilities, swaps execution facilities, futures commission merchants, dealers, executing brokers, and other execution venues and clearinghouses.

Before a broker-dealer or counterparty may be used, it must have been reviewed and approved in accordance with the Counterparty Approval Process which is a prescribed due diligence process involving Credit Research, Legal and Compliance and the Counterparty Review Committee where, if successful, the new broker-dealer or counterparty is added to approved list. Upon obtaining such approval, the broker-dealer or counterparty is added to our approved list. The only exceptions to this process are cases where the approval process takes longer than expected and the broker-dealer or counterparty is necessary to facilitate an investment opportunity that we believe is beneficial for the client. In those instances, Credit Research, Legal and Compliance, Operations and Head of Trading will provide temporary approval to execute the trade with a broker-dealer or counterparty that has been submitted for approval but has not yet been fully approved. Such excepted broker-dealer or counterparty is added to the approved list for general use only after the full approval process is followed. The list of all approved broker-dealers and counterparties is maintained by our Counterparty

Onboarding team and long with the evaluation of the approval process, are subject to regular review by the Counterparty Review Committee.

The primary considerations in selecting any broker-dealer or counterparty is an assessment of counterparty risk and the provision of best execution. However, the selection of broker-dealers and counterparties also includes the consideration of other factors, including, but not limited to: the quality of sales coverage; capital commitment; product availability; level of specialist trading expertise in particular markets; and operational infrastructure.

We monitor significant broker-dealer and counterparty relationships on a quarterly basis, in accordance with metrics relevant to various areas of the business impacted by use of such broker dealer or counterparty.

Please note that mandates which LGIMA has sub-advised to us may have transactions routed to LGIM for execution with their brokers, in accordance with LGIM's Execution Policy.

## *2. Security-Specific Selection of Broker-Dealers and Counterparties*

Where there are a number of counterparties or execution venues that could legitimately execute a given order, our Global Trading team will use their experience and knowledge to select the most appropriate. Examples of considerations they will be taken into account include:

- Execution quality (based on historical experience)
- Operational capability
- Observable recent activity in the relevant market
- Ability to commit capital • Ability to minimise market footprint
- Market insights and knowledge of market structure

Below are summaries of security-specific approaches to selection of broker-dealers and counterparties. We reserve the right to use other execution venues where we deem appropriate in accordance with our execution policy.

**Equity Trading:** LGIMI operates a fully unbundled equity execution process, as such all of our activity can be considered as execution only. Equity orders are transmitted electronically from our order management system ("OMS") to our execution management system ("EMS"). From our EMS the Global Trading team has access to a variety of execution channels. Where an order is deemed appropriate for a low touch channel, the Global Trading team will select a suitable execution algorithm from our list of approved counterparties, or alternatively they may instruct a portfolio trading desk electronically via FIX protocol. Where an order warrants a high touch or voice channel, the Global Trading team will similarly seek to instruct the counterparty by FIX protocol where it is possible to do so. In addition to these channels, for Exchange Traded Products and Equity Futures and Options traded on a venue, the Global Trading team may also execute on a Request for Quote basis ("RFQ"). For this process, orders are transmitted electronically from our OMS to a vendor RFQ platform to enable us to electronically gather competitive quotes and execute.

**Fixed Income Trading:** Bond orders are traded from our order management system ("OMS"). The Global Trading team has access to a variety of execution channels, but the predominant protocol remains Request for Quote (RFQ). Our OMS transmits bond orders electronically via FIX protocol to a choice of multi-lateral trading platforms (e.g. Tradeweb, MarketAxess) for execution. Where an order is deemed appropriate for a low touch channel, the Global Trading

team will select a suitable panel of counterparties and enter into a competitive RFQ. Where an order requires a high touch channel, our traders may enter into a non-competitive RFQ either on voice or via alternative electronic communication (e.g. Bloomberg). Once a high touch order is agreed, it is then processed via a trading platform where it is possible to do so. For Fixed Income Futures and Options traded on a trading venue, the process is slightly different. Orders in these instruments are transmitted from our OMS to our EMS. Where an order is deemed appropriate for a low touch channel, the Global Trading team will select a suitable execution algorithm from our list of approved counterparties, or alternatively they may instruct a listed derivatives trading desk electronically via FIX protocol. Where an order warrants a high touch or voice channel, the Global Trading team will similarly seek to instruct the counterparty by FIX protocol where it is possible to do so.

*Foreign Exchange Trading:* FX orders are transmitted electronically from our order management system (“OMS”) to our execution management system (“EMS”). From our EMS, the Global Trading team has access to a variety of execution channels. Where an order is deemed appropriate for a low touch channel, the Global Trading team will generally enter into a competitive Request for Quote (RFQ) from our list of approved counterparties. For high touch orders, such as illiquid currency pairs or large size orders, where potential market impact is a consideration, or liquidity is thin for example, the Global Trading team price discovery may be conducted via RFQ, on voice or using an alternative electronic communication, such as Bloomberg. Once the economics have been agreed, the order will be booked manually into the OMS. In certain circumstances LGIM may choose to execute on a non-competitive basis if we believe that restricting the number of quotes will achieve a better result for the client. For level specific orders (limit) or benchmark orders (WMR), the desk will place them with one of the approved counterparties to manage on our behalf.

*Derivative Trading:* OTC orders are traded from our order management system (“OMS”). The predominant execution protocol for OTC derivatives is Request for Quote (RFQ). Our OMS transmits OTC orders electronically via FIX protocol or SFTP to a choice of multi-lateral trading platforms (depending on the underlying asset class this could be Tradeweb, OTCX, RFQ-Hub) for execution. Where appropriate price discovery is conducted electronically via a competitive or non-competitive RFQ process. Where no suitable multi-lateral trading platform exists, price discovery may be conducted via RFQ, on voice or using an alternative electronic communication, such as Bloomberg. Once the economics have been agreed, the order will be booked manually into the OMS.

*Money market and security financing trading:* Money market instruments (TDs, CDs CPs and Reverse Repo) are traded from the relevant order management system (“OMS”). Generally, price discovery is conducted via competitive or non-competitive RFQ, on voice or via an alternative electronic communication, such as Bloomberg. Once the economics have been agreed, the order will be booked manually into the OMS. For Financing Reverse Repo and Repo, the orders are raised in our Portfolio Management System (PMS) and the orders are transmitted to our EMS. Again, from here price discovery is conducted via competitive or non-competitive RFQ, on voice or via an alternative electronic communication, such as Bloomberg. Once the trade details have been agreed, the order will be transmitted downstream to our investment operations team and the trade will be reflected in the PMS.

### 3. *Best Execution*

The Trading Desk will seek and obtain best execution. The LGIM Execution Oversight Committee (the ‘committee’) monitors the effectiveness of our execution arrangements on an

on-going basis and reviews our execution policy annually or when there is a material change. The committee has first line and second line representation, meets at least quarterly and covers all asset class trading conducted by the entities in scope for the Execution Policy. LGIMI undertakes regular Transaction Cost Analysis (TCA) to monitor the quality of execution. Depending on the instrument this may involve systematic comparisons of execution prices with respect to trading benchmarks, opening/closing prices, or periodic high/low/composite prices as appropriate. Along with our own in-house Trading Research team, we utilise a number of third-party providers to monitor the quality of our execution.

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

We do not have “soft dollar” arrangements, as contemplated by provisions of Section 28(e) of the U.S. Securities Exchange Act of 1934.

#### *5. Brokerage for Client Referrals*

We do not receive client referrals from broker-dealers or counterparties.

#### *6. Client Directed Brokerage*

We do not permit client-directed brokerage.

### **B. Aggregating (Block) Trading for Multiple Client Accounts**

We will generally execute transactions on an aggregated basis when we believe this will allow us to obtain better outcomes for our clients. When aggregating orders, clients will be treated in a fair and equitable manner over time. No account will be favoured over any other client; however, a variety of factors are determinative of whether a client participates in an aggregated transaction. These factors include but are not limited to: investment objectives; trading benchmarks; investment guidelines and strategies; position weightings; cash availability; and risk tolerance. Because of differences identified above, there are differences in invested positions and securities held that can lead to security dispersion among client accounts.

All block trades are pre-trade allocated pursuant to LGIMI’s Execution Policy. However, there are instances when we do not receive a full fill of the order due to the size of the dealer’s inventory. This situation is exacerbated in instances where the block trade was executed aggregating LGIMI clients and the advisory clients of our affiliates, such that the allocation available to LGIMI clients is further reduced by the allocation given to our affiliate’s clients. Under these circumstances, a pro rata allocation will be made to LGIMI clients that intended to participate up to the aggregate size of the order allocable to LGIMI to not systematically benefit one client over another.

### **C. Other Trading Practices**

#### *1. Trade Errors*

Consistent with our fiduciary duties, our policy is to exercise care in making and implementing investment decisions for client accounts. Under our Risk Events and Compensation Payment



Procedure, to the extent trade errors occur, we seek to ensure that our clients' best interests are served. Our policy is to identify and resolve all trade errors as quickly as possible, while ensuring the client is not disadvantaged, consistent with the orderly disposition (and/or acquisition) of the securities in question. Actual losses suffered by a client account because of a trade error caused by us will be reimbursed by us, subject to de minimis exceptions. However, unless contractually stated, we do not compensate clients for consequential loss (including investment opportunity costs) suffered as a result of the error. All financial gains because of a trade error are retained by the client.

## *2. Allocations*

Portfolio managers may manage multiple accounts with identical or substantially similar investment strategies. This creates the possibility of favourable or preferential treatment of an account or a group of accounts, particularly with respect to the allocation of securities that have limited availability, such as initial public offerings. To address the forgoing conflict, our Execution Policy seeks to ensure that client accounts are treated fairly and equitably over time and managed according to the relevant IMA or Offering Document, as applicable. In general, investment decisions for each account are made with specific reference to the client's stated investment objectives and restrictions. Accordingly, we exercise investment responsibility or take other actions for some clients that differ from the advice given, or the timing and nature of actions taken, for other clients. Investment results for different accounts, including accounts that are generally managed in a similar style, could differ because of these considerations. Some clients might not participate in certain investments in which other clients participate or might participate to a different degree or at a different time than other clients do.

## *3. Trading Practices to Minimize Transaction Costs*

Below is a summary of several trading methods employed to minimize total transaction costs. We may use other trading methods without notice.

**Market Trades:** Market trades are executed on a negotiated commission basis either through brokers (or equivalent local market specialists). At times, it can be judged more effective to ask for capital commitment from a broker in executing an order, in which case the broker will be acting as a principal. Market conditions and characteristics of an order determine the capacity in which the broker is used to minimize total transaction costs, including market impact. Furthermore, we make extensive use of electronic trading platforms. This enables us to invite bids and offers from a number of counterparties simultaneously and obtain the most competitive price, while using electronic trading platforms' full suite of controls and efficiencies.

**Net Trades:** To ensure transparency, we confine net trading to only those areas dictated by market practice, e.g. bonds, derivatives, currencies, new issues and certain trades where the counterparty acts purely as a market maker. We expect to trade the net amounts where similar trades can be joined together to minimize transaction costs. Competitive bids and offers are obtained from banks to secure the best price for the size of deal required.

**Cross-Desk Aggregation:** In certain circumstances, we may opt to aggregate certain trades generated from different trading desks (i.e., active and passive strategies).

## *4. Independence of the Trading Desks*

Portfolio managers in LGIMI are independent of the traders who execute orders.

## Item 13 – Review of Accounts

### A. Frequency and Nature of Periodic Reviews and Who is Responsible for Reviews

We maintain continuous scrutiny of our performance, the positions in the accounts we manage and the consequences of risk. We conduct a daily review of the investment activities in each Client account to ensure that the assets are managed in conformity with the stated investment objectives and restrictions. Where appropriate, LGIMA works in tandem with us in carrying out these responsibilities.

### B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

We review Client accounts as a result of major changes in a Client's mandate; macro- or micro-economic conditions; material market, economic or political events; changes in regulations or laws that affect the account; or at the Client's request.

### C. Content and Frequency of Regular Reports Provided to Clients

As noted elsewhere in this Brochure, we do not currently have any direct Clients; all Clients are direct U.S. Clients of LGIMA. We provide information to LGIMA to enable Clients to receive on a monthly or quarterly basis (as stated in the IMA or Offering Document, as applicable) (1) valuation reports, which include, among other things, the change in value of their accounts since the last reports that were provided, (2) a list of transactions effected and related data; and (3) performance information. SMAs also receive, on a periodic basis, statements from their custodian which typically contain performance, holdings and valuation information, as set forth in their custodian agreement.

LGIMI will provide reports via LGIMA who will send to Clients with information regarding trading activity and holdings. In addition, reports may be provided by LGIMI via LGIMA that are tailored to meet Client-specific requests.

## Item 14 – Client Referrals and Other Compensation

We have not entered into any contractual arrangements or agreements with firms or individuals that may solicit or have solicited Clients for us. Neither we, nor our employees, receive compensation from third parties.

LGIMI maintains written policies and procedures with respect to the giving and receipt of gifts and entertainment and the giving of donations and contributions, which are reasonably designed to comply with applicable law, including pay-to-play restrictions.

## Item 15 – Custody

Neither LGIMI nor LGIMA has custody of Client funds or securities as determined under Rule 206(4)-2. Rather, all funds and securities of our Clients will be held with a qualified custodian who is appointed by that Client.

We encourage Clients to compare information in our reports to reports provided by the Client's qualified custodian and to contact LGIMI, LGIMA or their independent custodian regarding any questions about their account statements.

## **Item 16 – Investment Discretion**

As discussed above, we have discretionary authority to manage the assets in a Client's account subject to the investment limitations and restrictions set out in the IMA relating to that account.

## Item 17 – Voting Client Securities

As a fiduciary, we owe our clients a duty of care and loyalty with respect to all services undertaken on the client's behalf, including proxy voting and corporate actions elections. Our proxy voting policies and procedures are adopted to ensure compliance with Rule 206(4)-6 under the Advisers Act and ERISA requirements. They are designed and implemented in a manner reasonably expected to ensure that proxy voting is exercised in the best interests of Clients after considering all relevant facts and circumstances at the time of the vote. For purposes of these policies and procedures, proxy voting includes any voting rights, consent rights or other voting authority we exercise on behalf of Clients, but shall not include matters which are primarily investment decisions, including tender offers, exchange offers, conversions, put options, redemptions and Dutch auctions.

Where proxy voting is delegated to LGIMI by LGIMA, all issues concerning the voting of proxies are considered on a case-by-case basis in the best interests of Clients taking into consideration any relevant contractual obligations, as well as other applicable facts and circumstances.

The full Corporate Governance and Responsible Investment Policy will be provided to Clients upon request.

### A. Passive Equity Index Proxy Voting

#### *1. Proxy Voting Generally*

The global Investment Stewardship Team researches and makes proxy voting recommendations for all LGIMI and LGIMA Funds and SMAs upon Client election. As such, we follow guidelines for voting our proxies as described in the Investment Stewardship Team's Corporate Governance and Responsible Investment Principles ("Principles"). The Principles set forth our approach and expectations with respect to key topics we believe are essential for an efficient corporate governance framework and for building a sustainable business model. We intend to engage with companies in connection with issues relating to the stated Principles. We consider engagement with the company in the best interest of its stakeholder. However, when a company does not engage or does not show the effort to progress the board and company to meeting our policies, we will consider voting against the recommendations. Under certain mitigating circumstances, the benefit of not voting proxies will outweigh the benefit of voting proxies. We have engaged Institutional Shareholder Services ("ISS") to execute the proxy votes in accordance with these Principles and our instructions.

SMA clients have the option to elect to delegate full proxy voting responsibility to ISS, rather than to us via LGIMA under the Principles described above. In those circumstances, we engage ISS to research, make recommendations, and vote all proxies in accordance with the ISS policy for those accounts.

Additionally, certain CIT and Private Funds participate in a stock lending program and we will work with LGIMA and the lending agent to determine whether securities should be recalled to exercise the proxy voting opportunity or allow the securities to remain on loan and not vote the proxies. There could be further circumstances that may impact the ability to recall the securities on loan pursuant to the stock lending program and impair our ability to vote such proxies.

## *2. Conflicts of Interest*

We have policies and procedures reasonably designed to address the voting of proxies in the case of securities which are the subject of a conflict of interest.

We review proxies in accordance with our Principles to determine whether voting or not voting the proxy gives rise to a material conflict of interest. Should a material conflict exist with a company whose proxies are at issue, we will outsource the voting decision to an independent third party to eliminate the conflict and ensure that a client's proxies are voted in their best interest. Further, the SMAs for equity strategies that vote in accordance with the ISS policy are subject to ISS's policies and guidelines, therefore addressing any conflicts of interest with us.

Legal & General stock is held in certain Index tracking portfolios. All proxies relating to Legal & General are delegated to a third party to make the recommendation and vote the proxies to address the conflicts that are present.

## **B. Fixed Income Securities Proxy Voting**

### *1. Proxy Voting Generally*

Proxy voting is a rare event in the realm of fixed income investing and is typically limited to the solicitation of consent to changes in features of debt securities including but not limited to, plans of reorganization and waivers and consents under applicable indentures. Although we actively monitor corporate events, in certain cases, it might not be possible or in the Client's best interests to act on such events due to:

- The size of the clients and of the positions held may mean it is uneconomic and not in the client's best interests to vote the proxy;
- Trading strategies employed may mean that positions are held on a short-term basis and the periods of ownership may not give rise to voting right; and
- The trading strategy may mean that it is not in the best interests of the client to "block shares" for a certain period as we may wish to be able to dispose of those shares at any time.

For corporate actions, portfolio managers will determine on a case-by-case basis what course of action is in the best interests of the Client.

### *2. Conflicts of Interest*

In the unlikely event a proxy voting conflict of interest arises for fixed income accounts, we disclose the circumstances of any such conflict to the affected client(s) and, in most cases, either convene an ad-hoc committee to assess and resolve the conflict, forward the proxy materials to the client to vote the proxy vote according to recommendation of an independent third-party service provider, or take such other action as is appropriate under the particular circumstances and in compliance with applicable requirements, including ERISA.

## Item 18 – Financial Information

We do not have any adverse financial information to disclose.

## Disclaimer

LGIM International Limited  
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Registered with the U.S. Securities and Exchange Commission ("SEC") and authorised and regulated by the Financial Conduct Authority ("FCA").

LGIM International does not provide advice on the suitability of its products or services.

Ultimate holding company - Legal & General Group plc.